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EGYPT

Sectarian divisions mar oasis tranquillity

Page 8

World News

Canadian Government in disarray as minister quits

Canada's Progressive Conservative Government was thrown into disarray after a senior cabinet minister resigned amid growing doubts about the future of its divisive constitutional reform package.

Mr Lucien Bouchard, leader of the Conservatives' Quebec caucus and a friend of Prime Minister Brian Mulroney, submitted his resignation as Environment Minister after a furore over a provocative telegram of support he sent to a Quebec separatist rally. Page 26

Baltic leaders leave

Presidents of rebel Latvia and Estonia left Moscow empty-handed after a tense meeting with Soviet President Mikhail Gorbachev, as the Lithuanian parliament agreed concessions on the republic's independence drive. Page 2

Hungary rejects Pact

Jozsef Antall, Hungarian Prime Minister, declared his conservative government's hostility to the Warsaw Pact in a significant concession to public opinion and the parliamentary opposition. Page 2

Soviet TV plan

Soviet Union is planning to broadcast western satellite television to its people when receiving equipment becomes available, said Mr Mikhail Nenachev of the Soviet Radio and TV Council. Page 3

India funeral protest

Security forces kept their distance in Srinagar as 400,000 people shouting anti-Indian slogans joined the funeral procession for Mirwaiz Moulvi Farooq, the Moslem leader of Kashmir, who was assassinated on Monday. Page 6

Yemens merge

North and South Yemen merged into a single Republic of Yemen, fulfilling a Yemeni aspiration delayed by civil wars, tribal conflicts and ideological differences. Page 6

Taiwan plan rejected

China rejected plans by Taiwan's President Lee Teng-hui to open full relations, accusing him of setting impossible conditions and saying Peking was "the sole, legitimate government representing all Chinese people." Page 6

Libya, Syria seek arms

Libya and Syria are trying to buy long-range Chinese missiles and Libya is developing a surface-to-surface missile, UK magazine Flight International quoted Israeli officials as saying. Page 6

US woos China

President George Bush plans to renew China's most-favoured-nation trade status free of any conditions regarding improvement in human rights there, Washington Post said.

Australia TV move

Australia said it would limit foreign ownership of commercial television and radio stations to 20 per cent, worsening the financial plight of its three main commercial television networks.

Cyclone death toll

Death toll from a cyclone that ravaged India's southeast Andhra Pradesh state has risen to 962 with new deaths reported from isolated areas, officials in Hyderabad said.

Andean summit

Andean presidents from Ecuador, Venezuela and Bolivia arrived in Peru's spectacular Inca ruins of Machu Picchu for a summit meeting to discuss fears that changes in Eastern Europe will divert aid from Latin America.

1m strike in Greece

Trains stopped, banks closed and airports were in chaos as more than a million workers in Greece joined a 24-hour strike

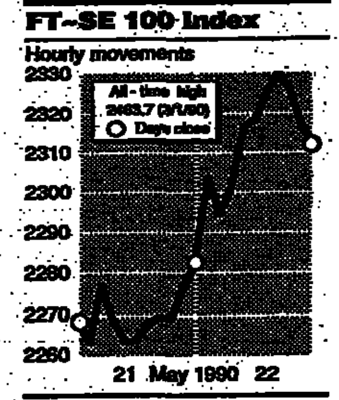
Business Summary

US suspects kickbacks on BNL-financed grain exports

An investigation by the US Government has uncovered evidence of unusual payments attached to US grain exports that were financed by the Atlanta, Georgia branch of Banca Nazionale del Lavoro (BNL), the Italian bank hit last year by a scandal over $3bn of unauthorised letters of credit for Iraq. Page 26

MARKETS: After an early loss of over 160, the Nikkei average rebounded to close 173.25 to the good at its day's high of

FT-SE 100 Index



31,938.30. In London, the FTSE 100 closed ahead 29.2 at 2,311.3. In Frankfurt, the DAX closed 2.08 higher at 1813.26. Back page, Section II

US is in danger of losing its lead, or of falling further behind, in several important technologies in fast expanding markets, according to a study produced by the Commerce Department. Page 5

SCHERING, West German pharmaceuticals and chemicals company, announced that negotiations with Sandoz of Switzerland aimed at creating an important agrichemicals joint venture had been broken off. Page 27

FRANCE's trade deficit worsened last month to FFr4.31bn ($760m) after seasonal adjustments, the worst figure since last October. Page 3

MITSUBISHI, Japanese industrial and trading group, and Daimler-Benz of West Germany are to co-operate in building a car plant in the Soviet Union and in procuring parts in Japan and south-east Asia for Mercedes-Benz cars. Page 4

CS HOLDING, parent company for the group which includes Credit Suisse bank, reported a 1989 net profit of SFr861m ($606m). Page 27

SINGAPORE'S once modest inflation rate is rising quickly, boosted by double-digit economic growth. Page 8

DEERE & Company, world's largest maker of farm equipment, announced a 10 per cent rise in second-quarter net income as it continued to ride the recovery in the US agricultural industry. Page 30

BOND Brewing Holdings, subsidiary of Mr Alan Bond's troubled Bond Corporation, dropped a High Court damages action against a bank syndicate led by National Australia Bank in return for a further four months to repay debts of A$880m ($672m). Page 27

YAMAHA Motor, world's second largest motorcycle maker, boosted its pre-tax profits by 21.2 per cent to Y7bn ($45m) in the year to March, as sales of luxury goods rose and the yen depreciated. Page 33

FEDERALE Volksbeleggings, industrial holding company which is part of South Africa's Sanlam stable, suffered a reversal of fortunes in the year to March, with pre-tax profit down 27 per cent to R202.3m ($76.6m). Page 33.

PROCTER & Gamble, leading US household products and personal care manufacturer, is in talks with potential partners to develop its business in eastern Europe and plans to set up an office in Moscow. Page 30

Middle East could plunge into war, says Mubarak

By Tony Walker in Cairo, Hugh Carnegy in Jerusalem and Lamis Andoni in Amman

THE MIDDLE EAST was in danger of plunging into war over Jewish immigration and Israeli obstruction of peace efforts, President Hosni Mubarak of Egypt warned yesterday.

In one of his strongest criticisms yet of Israel's leadership, Mr Mubarak said that if Soviet Jews were settled on Arab land it would inevitably lead to a conflagration: "The immigration issue threatens to blow up the peace march and put the whole region on the verge of a new, bloody confrontation."

The Egyptian leader was speaking two days after an Israeli gunman killed seven Palestinian workers, sparking some of the worst rioting in the occupied territories since the beginning of the uprising, the intifada, against occupation in December 1987.

The wave of violent Arab protest in Israel subsided yesterday. The West Bank, where much of the population was under curfew, was also subdued. But three Gazans were reported to have been killed and more than 20 wounded during the day, bringing to 14 the death toll since Sunday among Palestinians in the West Bank and Gaza. One Jew was stabbed to death on Monday in Jerusalem in an apparent revenge killing.

In Jordan at least two people were killed in refugee camps during clashes between Palestinians and police. Violence also erupted at Wahdat camp in Amman when protesters attacked the police station, security officials said.

Mr Yassir Arafat, leader of the Palestine Liberation Organisation, ordered the PLO ambassador and representative in Jordan to try to calm the refugee camps, especially at Baqa, north of Amman, where police fought protesters for much of the day.

Israeli Government officials said they regretted Mr Mubarak's statement, which they said did not contribute to peace in the region. They added that the danger of war lay in the refusal of Arab nations to end their state of war with Israel.

The Egyptian leader had been addressing a Socialist International gathering in Cairo, attended by Mr Shimon Peres, leader of Israel's Labour party.

● Lionel Barber adds: The Bush Administration, whose Middle East policy looks under increasing strain, yesterday faced the delicate task of deciding whether to grant entry to Mr Arafat so that he could address the UN in New York.

Mr Arafat, seeking to attend an emergency debate at the UN Security Council on the latest violence in Israeli-occupied territories, has made a request for entry in a letter to Mr Javier Perez de Cuellar, UN Secretary General.

Israelis uneasy, Page 6

Nato defence ministers agree to thorough review of European defence strategies

Warsaw Pact 'no longer a threat'

By David White in Brussels

NATO's defence ministers yesterday declared that there was no longer a military threat from the Warsaw Pact and agreed to a thorough review of the alliance's strategies.

It was the first time that Nato ministers had made such a definitive statement on the diminished military threat from eastern Europe since last year's upheaval in the region.

Gen Vigleik Eide, chairman of Nato's military committee and its most senior military official, stated categorically: "The threat from a united Warsaw Pact no longer exists."

But ministers in the alliance's defence planning committee, meeting in Brussels, issued a warning over the continued armed strength of the Soviet Union.

They discussed ways of involving France in the strategy re-think. France is a member neither of the committee nor of the alliance's integrated command structure. French collaboration on strategy would break new ground, since it withdrew from the alliance's military structure in 1966.

Mr Gerhard Stoltenberg, the West German Defence Minister, said the review would aim to influence the formulation of national defence plans.

Delegates said the studies would not be completed by the Nato summit in London on July 5 and 6, which is due to update the broad political strategy of the alliance.

The military review implies a redefinition of the fundamental Nato concepts of "forward defence" and "flexible response." The allies are intent on maintaining the basis of these concepts, with a mix of conventional and nuclear forces and a continued US presence in Europe.

A senior member of the US delegation said the review was likely to include an interim study and a longer term assessment of the changes needed after a conventional arms reduction treaty and Soviet withdrawal from eastern Europe. The US wanted France to be involved in both studies, he said.

The review coincides with work on the future role of nuclear weapons, being carried out by a high-level group of senior officials in conjunction with Gen John Galvin, Nato's Supreme Commander in Europe.

This work has been given a fresh focus by President Bush's recent proposal to drop plans for replacing short-range nuclear missiles and artillery shells. The summit is expected to decide on the broad terms of Nato policy with respect to the US-Soviet negotiations on short-range nuclear forces which are expected to start next year.

The radical shift in Nato's nuclear policies was boosted yesterday when the Bonn Government indicated that it was down grading the importance of nuclear weapons.

Mr Volker Rühe, general secretary of Chancellor Helmut Kohl's Christian Democratic Union, said in Bonn that nuclear weapons would only be necessary in Europe, in future, to deter the Soviet Union from using nuclear forces.

Shevardnadze and Genscher in talks, Page 2

Nato Secretary General Manfred Wörner (left) talks with Richard Cheney, US Defence Secretary, in Brussels yesterday

Moscow acts on backlog of payments to west

By Quentin Peel in Moscow

THE SOVIET Government has approved a package of measures to tackle what officials insist is only a "short-term liquidity crisis" causing the growing backlog of trade payments to western suppliers.

The measures include urgent efforts to boost exports, a reordering of import priorities with delays in contracts for equipment in favour of consumer goods and food imports, and penalties in hard currency to be imposed on Soviet exporters failing to meet their export targets.

At the same time, a Soviet Government minister has promised that delayed payments will be honoured with priority for those longest outstanding and also for small and medium-sized businesses hardest hit by delays.

The government package was spelt out by Mr Anatoly Nosko, a director of Vnesheconombank, the state Bank for Foreign Economic Affairs, in an interview with the Financial Times.

He blamed a series of temporary and more fundamental problems for the payments crisis, but denied that there were any plans to refinance trade payments to overcome the backlog. He also declined to estimate the scale of the problem, although denying Western bankers' estimates that close to 10 per cent of Soviet hard currency imports are now suffering delays.

Mr Nosko said the greatest problem was the decentralisation of Soviet foreign trade to more than 12,000 individual enterprises, without experience of trading on the world market.

Continued on Page 26
Prices reform, Page 2; Energy exports face sharp decline, Page 3

France and EC agree deal on Renault aid

By David Buchan in Brussels and William Dawkins in Paris

FRANCE and the European Commission yesterday struck a deal on one of the most sensitive EC state aid cases of recent years by agreeing that publicly-controlled Renault should repay or start paying interest on FFr6bn ($1.1bn), half the FFr12bn originally demanded by Brussels.

The deal requires Renault to repay the French Treasury FFr3.5bn immediately and to take back onto its books as low-interest long-term debt a further FFr2.5bn.

Sir Leon Brittan, the EC Competition Commissioner whose earlier tough line had upset many of his Brussels colleagues, said it was in "everyone's interest to have a settlement agreed, rather than imposed."

Had Paris continued to refuse to compromise, he would have insisted that FFr8.4bn of the state aid be recovered. But this could have taken lengthy court action, and "it was better to have three quarters of the money immediately than the full amount in two years' time."

Mr Roger Fauroux, the French Industry Minister, who had insisted that the Government would refuse to reclaim any money from Renault, welcomed the deal as "an acceptable compromise."

Renault issued a statement indicating grudging acceptance. The car group has argued that it has done its utmost to fulfil at least the spirit of the Commission's demands.

The Commission had approved the FFr12bn for Renault two years ago on condition that the state-owned car maker was put under normal commercial law and that it cut its car and truck-making capacity.

The first condition is to be fulfilled as part of Renault's link-up with Volvo of Sweden, but Brussels still claims Renault failed to carry out the promised capacity cuts.

Sir Leon denied any "plea bargaining" with Paris, but said he had for several months offered to scale his demand down to FFr6bn if the French Government would agree a compromise.

On Monday, the French Government contacted Mr Martin Bangemann, the EC Industry Commissioner who has taken a softer line on state aid than Sir Leon, to suggest only FFr3.5bn be repaid at once. After the Commission backed this yesterday morning, Sir Leon rang Prime Minister Michel Rocard for the third time in 24 hours, and the French premier accepted the deal.

The repayment of the cash will immediately lift the group's debts from FFr17.5bn to FFr23.5bn.

Governments' role unresolved, Page 26; Effect on France, Page 2.

Washington calls on Japan to speed up financial deregulation

By Stefan Wagstyl in Tokyo

THE US yesterday warned Japan to accelerate the pace of its financial deregulation or risk running into "a serious political conflict."

Speaking in Tokyo after two days of inconclusive bilateral talks, Mr David Mulford, the US Treasury under-secretary for international affairs, did not try to hide his frustration at failing to persuade Japanese officials to make enough specific promises to speed liberalisation.

He said that the Treasury was preparing a report on whether Japan treated foreign financial companies in Tokyo in the same way as Japanese companies. The so-called "national treatment" study was is due to be published in November. If it were to be published today, warned Mr Mulford, "it would not be possible for the US Treasury to give a positive report on the Japanese market."

Mr Makoto Utsumi, Mr Mulford's opposite number at the Japanese Ministry of Finance, tried to play down the extent of the disagreement, saying that the two sides differed only on the speed of change, not its direction.

Mr Mulford's comments are the clearest sign so far that after a two-year lull, Washington intends to get tough with Japan over financial deregulation. The Administration is under intense pressure from Congress to act following complaints from congressmen about the ease with which Japanese financial companies have expanded in the US.

A bill now before Congress would give the Administration powers to retaliate against Japanese financial companies in the US if American companies were found to be suffering discrimination. Mr Mulford's remarks yesterday indicate that the US wants Japan to act as soon as possible – and certainly before the "national treatment" report is completed in November and presented to Congress.

The brunt of Mr Mulford's attack was directed at Japan's failure to give explicit undertakings about the timing of further deregulation of interest rates. Since 1984, Japan has successively liberalised interest rates to the point that some 60 per cent of leading Japanese banks' deposits are from deregulated sources. But US banks say this is not enough – the remaining 40 per cent of deposits which are still regulated supply Japanese banks with an unfairly cheap source of funds.

Mr Mulford said that in this week's talks the US had asked Japan to complete the deregulation of interest rates on all deposits within a year. But the Japanese side refused to commit itself.

Mr Utsumi said, however, that officials were working on a timetable for further liberalisation, but it was not ready. Interest rate deregulation is a thorny political issue because financial institutions, including banks, the post office and agricultural credit unions cannot agree on how it should proceed.

The Administration would welcome a depreciation of the dollar against the yen which might occur as a result of a fall

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CONTENTS

A whole-hearted commitment to the manufacturing ethos

Hervé de Carmoy (left), president of Acec-Union Miniere, the Belgian group, believes that Europe will stand or fall by its ability to excel in industry. An emotional investment is necessary, he says.

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MARKETS

STERLING
New York close
$1.6905 (1.6865)
London:
$1.6915 (1.691)
DM2.8225 (2.8125)
FFr9.5050 (9.4775)
SFr2.4000 (2.4050)
Y256.25 (259.5)
£ index 88.9 (88.7)

GOLD
New York: Comex Jun
$376.6 (374.1)
London:
$374.75 (373.25)

N SEA OIL (Argus)
Brent 15-day Jul
$17.35 (17.45)

Chief price changes yesterday: Page 27

DOLLAR
New York close
DM1.6705 (1.6835)
FFr5.6220 (5.606)
SFr1.4175 (1.4225)
Y151.48 (153.72)
London:
DM1.6690 (1.66335)
FFr5.6200 (5.6050)
SFr1.4185 (1.4225)
Y151.55 (153.50)
$ index (67.3)
Tokyo close: Y152.40

US closing rates
Fed Funds $8\frac{3}{16}$% ($8\frac{1}{16}$)
3-mo Treasury Bills: yield: 7.983% (7.976)
Long Bond: $101\frac{13}{32}$ ($100\frac{11}{16}$)
yield: 8.612% (8.679)

STOCK INDICES
FT-SE 100:
2,311.3 (+29.2)
FT Ordinary:
1,829.5 (+18.7)
FT-A All-Share:
1,137.50 (+1.3%)
New York close
DJ Ind. Av.
2,844.17 (-0.51)
S&P Comp
357.05 (-0.95)
Tokyo: Nikkei
31,938.30 (+173.25)

LONDON MONEY
3-month interbank:
closing $15-14\frac{31}{32}$
($14\frac{31}{32}$-$14\frac{15}{16}$)
Liffe long gilt future:
$83\frac{23}{32}$-$83\frac{3}{4}$ ($83\frac{3}{4}$)

Bonn parties row over monetary union treaty

By David Marsh in Bonn

THE political row over German monetary union sharpened yesterday as the Bonn government accused the Social Democratic Party (SPD) opposition of increasing the threat of a further influx of eastern refugees.

Mr Theo Waigel, the Finance Minister, and Mr Volker Rühe, general secretary of the governing Christian Democratic Union (CDU), accused the SPD of contradictions in threatening to block the treaty's ratification.

In a speech before the Bundesrat, the upper house of parliament which groups representatives of the federal states, Mr Waigel appealed to SPD-controlled states to approve the treaty in a vote on June 22. A delay would raise the danger of new flows of disaffected East Germans into West Germany, he said.

Social Democrat leaders want improved social, economic and environmental protection for East Germany as a condition for voting for the measure in the Bundesrat, where the SPD has a majority.

The document was signed between the East Berlin and Bonn governments on Friday.

Mr Rühe sai the SPD risked taking over responsibility for torpedoeing the introduction of the D-Mark into East Germany on July 2.

He criticised the SPD's position – heavily influenced by Mr Oskar Lafontaine, the party's general election candidate for the Chancellorship, as being "untenable".

Mr Wolfgang Roth, the SPD's economic policy spokesman, put forward a plan costing DM20bn ($12bn) a year up to the end of 1992 to increase the competitiveness of East German companies after the introduction of the D-Mark.

Foreign ministers in discussions on Nato

By David Marsh

MR Hans-Dietrich Genscher, the West German Foreign Minister, is meeting Mr Eduard Shevardnadze, the Soviet Foreign Minister, in Geneva today to discuss Moscow's opposition to Nato membership of a united Germany.

News of the talks coincided with signs yesterday of a radical shift in Bonn's thinking towards downgrading the importance of nuclear weapons, which could have important repercussions for Nato's nuclear doctrine.

Mr Volker Rühe, general secretary of Chancellor Helmut Kohl's Christian Democratic Union, said in Bonn that nuclear weapons in Europe in future would be solely necessary to deter use of nuclear forces by the Soviet Union.

Up to now, West Germany has justified atomic armaments as providing insurance against a conventional attack from the Warsaw Pact.

Mr Rühe said that, because of the upheavals in eastern Europe, this part of the strategy was now changing – a shift which confirms growing support in Bonn for the gradual phasing out of all nuclear weapons from German soil.

A Foreign Ministry spokesman said that Mr Genscher's ideas for Nato to take on a more political role, as well as the progress of conventional arms reduction talks in Vienna, were likely to figure in today's Geneva talks.

Mr Shevardnadze, who will be seeing Mr Genscher for the fourth time this year, has been adamant in rejecting the idea of a united Germany remaining in Nato. However, Nato now faces the "challenge" of adopting a less military posture in reaction to the weakness of the Warsaw Pact, the spokesman said.

Hungarian PM hostile to Pact

By Nicholas Denton

MR JOZSEF ANTALL, the new Hungarian Prime Minister, yesterday declared his conservative Government's hostility to Warsaw Pact membership in a significant concession to public opinion and the parliamentary opposition.

"Taking part in the Warsaw Pact was in conflict with the wishes of the people in 1956 (the Hungarian uprising) and during the last elections, and we think the whole agreement is unnecessary," Mr Antall said, outlining the Government's programme.

Earlier this month, the opposition Alliance of Free Democrats tabled an emergency motion calling for the removal of Hungarian forces from the joint military command of the Pact and immediate talks on full withdrawal.

The reaction of Mr Antall and Mr Geza Jeszenszky, the new Foreign Minister, was initially hostile but the popular Free Democrat proposal embarrassed them into yesterday's surprisingly radical statement.

The new government's economic policy of the also tries to bridge (not entirely successfully) the gap between the cautious ideas of Mr Antall's Hungarian Democratic Forum and more reformist thinking. The programme promises that:

- the Government will rapidly initiate bankruptcy proceedings against 30-40 habitually loss-making companies;
- wholesale privatisation will begin in the retail and service sector;
- devolved state enterprises will be brought under more direct political control.

Commission announces Mediterranean aid scheme

By Lucy Kellaway

THE European Commission yesterday proposed a near tripling of community support for the 14 non-EC Mediterranean countries and a wide range of non-financial measures, in an attempt to forestall the economic and political crisis that looms in the region.

Mr Abel Matutes, the Commissioner responsible for Mediterranean Policy said yesterday that the new policy represented a "qualitative and quantitative leap" over the old one, and showed that the European Community was not "making the mistake of overlooking old commitments" in the light of events in east Europe. For the years 1992 to 1996, money from the EC budget would rise to Ecu1.8bn, ($2.23bn) with a further Ecu4.9bn in loans from the European Investment Bank.

Mr Matutes painted a grim picture of the state of these countries, which are facing population growth at the overall rate of 5m people a year, sluggish economic growth and rising unemployment.

Two policemen patrol cellars below Ploiesti's courts of justice guarding sacks of voting slips which have still to be counted in Romania's election

Romanian National Front faces problems in holding party line

By Owen Bennett-Jones in Bucharest

ROMANIA'S ruling National Salvation Front, which won a resounding victory in Sunday's elections, may split because its membership covers such a broad range of political opinions, according to the party's official spokesman.

"The danger does exist," said Mr Adrian Nastase, who was elected to the Assembly of Deputies.

The Front came to power in the midst of last December's revolution and has so far only defined itself in the most general terms. Its members describe it as social democratic and left-of-centre but there are clearly many different strands of politics in the party.

The possibility of a split before the next elections, which have to be held within two and a half years, could give Romania the opposition it lacks in the wake of the elections in which the smaller parties were decimated. It may be that the Government's most effective critics in the newly-elected two-house Constituent Assembly turn out to be people previously associated with the Front.

The Front included on its electoral list some candidates who were not members but were independent political personalities. Mr Nastase admitted yesterday: "These people are too strong in moral terms to obey party discipline."

As things stand, the second largest party in the Constituent Assembly will be the Hungarian Democratic Union, which was represented only in Transylvania. The Union's chief concerns do not relate to economic or social policy but rather to the protection and furtherance of the right of Romania's 2m-strong Hungarian minority.

The Front has always said that it favours a coalition government. But it is not yet clear whether Mr Radu Campeanu, of the third-placed National Liberal Party, will choose to join the new government or instead try to provide some sort of parliamentary opposition.

The new Government's top priority will be trying to sort out the economy. But even in this crucial area there are signs of division within the Front. Some Front economists are suspicious of foreign capital, arguing that its introduction could incur unacceptable social costs. But others are keen to attract foreign investment and technology and say they will argue for a relaxation of Romania's currently restrictive regulations on repatriation of profits.

Confident signals from Belgium

By Tim Dickson in Brussels

BELGIUM'S intention, confirmed yesterday, to peg its currency more closely to the D-Mark is a sign of the country's improving economic health.

In one sense it is no more than an acknowledgement of the strong currency policy pursued by the central bank since last year. But it also contains an important message for international financial markets and confirms Belgium's determination to forge ahead with European monetary union.

A Belgian franc bound closely to the D-Mark – operating perhaps within an unofficial 0.5 per cent band in the European monetary system rather like the Dutch guilder – would create an effective German currency zone taking in the Netherlands, Belgium and Luxembourg.

Central bank officials, however, were at pains to point out yesterday that while the D-Mark was the current target, this situation could change with developments in eastern Europe and that their long-term objective was to track "currencies with the highest degree of stability".

There is a feeling in Brussels that Belgium has been given insufficient credit and reward for the financial reforms and economic restructuring of the past few years.

Apart from its good macro-economic performance of the last couple of years (real GNP growth of 4.4 per cent last year, low inflation, a healthy level of investment and a sound balance of payments surplus), Belgium has also got rid of its two-tier exchange rate system, reduced the withholding tax on bonds and bank interest from 25 to 10 per cent, and started to reorganise and deregulate its financial markets.

While the Government believes that many of its economic fundamentals are as sound as those of West Germany, officials admit that some credibility has been lost by using most of the 2.25 per cent fluctuation band allowed under the rules of the EMS.

By sticking more rigidly to the orthodox monetary policies of the Bundesbank, they hope that the "risk premium" which Belgium pays through higher interest rates – there is a 1.8 percentage point differential with German rates at the short end – could start to fade.

Any reduction would help the Government in its constant struggle to contain Belgium's mountain of public debt (around BFr7,000bn).

Based on the rules agreed by the centre-left coalition when it came to power in mid-1988, it looks as though ministers will have to find roughly BFr70bn (£1.2bn) of extra cuts in public spending to bring the budget deficit back within acceptable limits. That, coincidentally, is equivalent to a one percentage point fall in interest rates.

Soviets avoid radical route in prices reform

By Quentin Peel in Moscow

THE SOVIET presidential and federation councils, the highest bodies advising President Mikhail Gorbachev, yesterday approved a new package of economic reforms which include drastic food price rises but propose further delays in switching to an overall liberalised pricing system.

First details of the decision which emerged yesterday suggest that it still falls far short of the rapid moves to a market economy demanded by the most radical reformers, and yet it has already aroused the wrath of the official trade unions.

The most dramatic price rise – a tripling in the price of bread – will take effect from July 1, according to deputies in the Supreme Soviet, while other food price rises of 100 per cent and more will only be introduced next January 1.

Radio Moscow reported that there were "no serious objections" to the reform plans at the joint meeting of the advisory councils, but there was still evidence yesterday of dissension in government ranks about the speed and coherence of the whole reform programme.

In particular, Professor Nikolai Petrakov, Mr Gorbachev's personal economic adviser, yesterday called for no early change in the price of essential goods, but steep increases in the price of luxuries, like gold and jewellery.

He roundly attacked the official trade unions for opposing free market prices even for commodities such as caviar and expensive cars, suggesting that the labour organisations were simply unwilling to abandon their control on the distribution of such supplies.

The reforms are to be formally presented to the Supreme Soviet, the standing parliament, by Mr Nikolai Ryzhkov, the Prime Minister, tomorrow.

But more details are expected at a press conference today from Mr Yuri Maslyukov, the first deputy premier in charge of the State Planning Committee, and Dr Leonid Abalkin, the deputy premier in charge of economic reform.

Deputies in the Supreme Soviet said yesterday that the whole package looked like another compromise between government ministries and economic reformers, and was in danger of pleasing neither the radicals nor the conservatives.

Although the package includes provision for substantial "compensation" of wage packets for the price increases, deputies said the price rises would increase state revenues by Rbs160bn, while the compensation would cost only Rbs110bn.

Professor Petrakov himself spelt out a string of measures which he said should be implemented before price rises.

He told the newspaper, Komsomolskaya Pravda, that they should be denationalisation, improvements in the monetary, credit and finance system, reform of banking, and the introduction of a hard rouble for sale to highest bidders.

Baltic presidents get nowhere in Moscow

By Leyla Boulton in Moscow

THE PRESIDENTS of rebel Latvia and Estonia left Moscow empty-handed last night after a tense meeting with President Mikhail Gorbachev, as the Lithuanian parliament decided on limited concessions slowing down the republic's independence drive.

Mr Arnold Ruutels, the Estonian president, described the 20-minute conversation with the Soviet leader as "unpleasant for all sides."

Mr Anatolis Gorbunovs, the Latvian president, and Mr Ruutels were in the Soviet capital for a session of the Council of Federation, which groups representatives of the Soviet Union's 15 constituent republics.

Mr Gorbachev was quoted as reiterating his demands that the three Baltic republics should repeal or at least suspend their independence declarations.

An Estonian spokesman in Moscow said that the three Baltic presidents, including Lithuania's Mr Vytautas Landsbergis, would be sending the Kremlin a joint proposal for formal independence talks with Moscow.

Meanwhile, under pressure from Moscow's worsening economic blockade, the Lithuanian parliament agreed in principle yesterday evening to suspend key legislation passed since its March 11 independence declaration if and when Moscow opened formal independence talks.

Mr Gediminas Vagnorius, a member of the parliament's economic committee, said in a telephone interview that deputies would vote formally on the plan today after legal experts had put the finishing touches to it.

This would open the way for suspending such measures as the issue of Lithuanian passports but would not affect the independence declaration itself, he said.

Further Soviet moves to tighten the blockade of Lithuania were reported last night by the Interfax service of Radio Moscow, which said that an oil tanker from Rotterdam containing 80,000 tonnes of oil had been stopped by Soviet border guards off the port of Kleipeda. Interfax said they were refusing to allow the ship to enter Soviet waters.

In Estonia, meanwhile, Russian workers from the republic's northeast joined a growing strike yesterday to press Mr Gorbachev to take action against the republic's bid for independence.

Local officials said several factories and mines in the predominantly Russian-speaking city of Kohtla-Jarve, a centre of the oil shale industry, were on strike yesterday or had begun shutting down. The same was true in nearby Sillamae.

In the industrial city of Narva, workers at the city's main power station, which supplies much of the northwest of the Soviet Union, sent a telegram to Mr Gorbachev saying they could not guarantee continued supplies of power.

In the capital Tallinn, where the work stoppage began on Monday, a spokesman for the largely Russian Inter-Front movement said workers at 22 plants were striking.

"The Estonian Soviet Socialist Republic is in danger," declared a statement signed by the strike committee of Kohtla-Jarve, which has an 80 per cent Russian population.

Channel link chief attacks UK inaction

By Charles Leadbeater and Richard Tomkins

FT
CONFERENCE
EUROPEAN TRANSPORT IN THE 90s

MR John Fletcher, chairman of European Rail Link, yesterday urged the British Government to stimulate private sector involvement in transport infrastructure projects.

Mr Fletcher, who heads the joint public and private sector body proposing to build a high-speed rail link between London and the Channel Tunnel, said the government should pave the way with planning and legislation.

If the link were approved, Eurorail could face the task of piloting controversial legislation through Parliament before construction could begin.

Opening the second day of a Financial Times conference on European Transport in the 1990s, Mr Fletcher – who is also managing director of corporate development at Trafalgar House, the construction group – criticised Britain's lack of progress in enabling the private sector to provide transport links.

"At the present time, I have got to say that we don't see the UK as being a very attractive market in which to compete for private sector infrastructure projects," he said.

"Some of the risks are with the wrong people. The planning and Parliamentary risk is with the private sector and the market risk – for example, the traffic risk – is with the Government. This cannot be sensible."

Mr Fletcher's theme was echoed by Prof Peter Hall, director of the Institute of Urban and Regional Development at the University of California at Berkeley. Prof Hall saw scope for three types of private involvement in UK public infrastructure projects: short, commuter toll roads relieving congested towns; recreational roads in scenic areas; and a high-speed railway from Euston to Birmingham, Liverpool and Manchester.

Referring to the rail route, Prof Hall said it would operate along one of the most densely populated rail corridors in the world and would reduce the London-Manchester trip to a 40-minute commuter run.

"Speeds like this will totally transform geographical space throughout Europe, including Britain. And that means that they will transform development opportunities, making peripheral areas into central ones – a fact that has not been sufficiently comprehended."

Turning to customs, Mr Brian Unwin, chairman of the board of HM Customs, said a number of important obstacles, particularly variations in tax rates, excise duties and VAT systems, still blocked the way to the single market.

However, he said the UK was taking interim measures to ease broader controls on the transport of goods. He disclosed that the Department of Transport had set up a study group with airport operators, airlines and government departments to examine how the layout of airports should be altered to ease customs procedures. However for the foreseeable future there would be frontier checks on all passenger entering the UK.

Later this year the customs will launch a revised scheme to allow exporters and importers to get customs clearance for their goods at their own premises. Another scheme called Forwarders Local Import Control which allows exporters to send their loads straight through ports to inland clearance depots.

Mr Tony Stanton, president of the Freight Transport Association, warned that the European Commission's draft proposals for the organisation of the European transport market could lead to haulage quotas imposed by the commission on national operators and limits on expansion plans.

However he also criticised the British government for resisting harmonisation by refusing to allow 40-tonne lorries.

Mr Dirk Goedhart, managing director of corporate forwarding for Philips, the electronics group, predicted that European companies would reorganise their distribution activities. The role of national distribution centres would be reduced and the scope of centralised European logistics units organising deliveries of components and final products would be expanded.

Mr Ian Brown, managing director of British Rail's Railfreight Distribution subsidiary, said most major UK companies were reconsidering their transport needs in light of the single European market plan. He predicted that a combined transport company involving British Rail, British road hauliers, Kombiverkehr of West Germany and Novatrans of France, would establish a foothold in the market before 1993.

Rail link doubts, Page 8

Tugendhat warns on airline mergers

THE European Commission will need an effective policy to control civil aviation after 1992 if new carriers are not to be suffocated, Mr Christopher Tugendhat, chairman of the British Civil Aviation Authority, warned yesterday, writes Paul Abrahams.

Mr Tugendhat said the industry was prone to concentration and that the consumer would gain nothing if one national airline was prevented from concluding a merger only for another to take its place.

He told the Royal Aeronautical Society's European Aerospace Conference in London, that Europe would require "regulators with clout" to police mergers and concentration once bilateral restrictions were lifted after 1992.

At present civil aviation authorities control both fares and routes. But after 1992 EC-based airlines will, in theory, be able to fly between any destinations within the Community.

However, any interference by the Commission in the airline industry would exacerbate its already difficult relationship with the large European carriers.

Meanwhile, British Midland announced that it had been given permission to offer a £165 business fare between London Heathrow and Paris. Previously, the Direction Générale de l'Aviation Civile, the French authority which regulates air fares to and from the country, had blocked the airline from offering a business fare for £149 because it believed the price would not allow the company to make money. Air France and British Airways business class fare is £240.

OBITUARY

The board of Directors and all the personnel of REFCO S.A. are saddened to announce the death of their chairman, Alain DELCHET, aged 39, on May 17th 1990.

A family funeral and burial took place on May 18th at Albi.

A service will be held in his memory in Paris at the Eglise des Blancs Manteaux on June 1st at 18.15.

EUROPEAN NEWS

Soviet energy exports face prospect of sharp decline

By Steven Butler

SOVIET energy exports look set to decline, possibly sharply, in the next decade in the face of steeply rising costs, according to a Soviet energy expert yesterday at a Financial Times conference on European Petroleum and Gas in Amsterdam.

Dr Eugene Khartukov, chief of World Energy Analysis and Forecasting Group at the Ministry of Foreign Affairs, said in a joint paper with Professor Alexander Arbatov of the Soviet Academy of Sciences that government calculations showed the cost of oil production rose by 160 per cent over the past decade.

The increase caused energy investments to take 48 per cent of total industrial investment in 1987 and 1988. At the same time, the economic efficiency of crude oil exports, measured as a ratio of export prices to production and delivery costs, has dropped by 75 per cent, from 7.1 to 1.8.

Despite these unfavourable economic trends, however, Soviet dependence on hard currency from energy exports and inertia in the present system could prevent a sharp decline in exports, which under a worse-case scenario could fall by 24 per cent in ten years. A middle scenario envisages more than a 10 per cent decline in energy exports in the next decade, but this could be slowed by a rapid shift to hard currency trading with Eastern Europe.

FT CONFERENCE
EUROPEAN PETROLEUM AND GAS

Others at the conference spoke of the pressures that higher environmental standards would place on Europe's energy industry in the next decade. Mr Humphey Harrison, an independent industry analyst, said that large amounts of capital would be required by oil and gas companies in the coming years, but these funds could prove increasingly difficult to raise because of the uncertainties of future environmental regulations. This would tend to favour large, well-capitalised companies over smaller companies.

Mr Harrison also said that European oil and gas companies were likely to do better than the US companies that have traditionally dominated the industry. This is because of the boost from the single European market and the co-operative relationship European companies enjoy with Brussels.

"It is probably not unfair to say that whereas the European companies are being regulated, their US counterparts are being paralysed," he said.

These remarks were echoed by Mr Ronald Grisard, chairman of Avia International, an oil group comprised of independent oil marketers and distributors in Europe. Mr Grisard warned that tightening standards would require capital investment several times greater than Avia members' share capital. This created doubts about the viability of some members who, he said, as middle-sized companies, provided a vital element of competition in the European market.

Mr Laurens Jan Brinkhorst, director general for the environment, civil protection and nuclear safety at the European Commission, called for action to limit emissions of greenhouse gas, particularly carbon dioxide from coal, oil, and gas burning. This would tend to favour natural gas consumption, which produces relatively less carbon dioxide.

Moscow to allow western satellite TV

By Raymond Snoddy in Luxembourg

THE SOVIET UNION is planning to broadcast western satellite television to its people when satellite receiving equipment becomes available.

Mr Mikhail Nenachev, chairman of the Soviet Radio and TV Council of Ministers, gave the latest example of glasnost at a media conference in Luxembourg yesterday.

To begin with, such channels will be available only to businesses, universities and embassies because of a shortage of equipment. The Soviet Union will only have 1,000 receivers this year.

"Politically we are ready, technically we are not," said Mr Nenachev, who said the Soviet Union was still considering which American or European channels to choose. The Soviet minister promised, however, that western satellite television channels would be available direct to the people within the next five years. The Soviet Union would also be expanding its television system from two channels to five and would be looking for joint ventures, exchanges of programmes and co-production deals with western broadcasters.

An Irish foot on Europe's ground

Tim Dickson visits a place for improving links with the continent

THE IRISH in Belgium proudly regard it as their *pied-à-terre* on the continent. But the Irish Institute for European Affairs at Louvain, near Brussels, is more than an occasional residence. It is a model for any peripheral (or even not so peripheral) European Community state anxious to increase its citizens' awareness and appreciation of the opportunities of the single market.

Set up in 1984 when Franciscan friars offered the beautiful early 17th century Irish College as a centre for secular development, the institute offers Irish people of all creeds and classes the chance to improve their understanding of mainstream European economic, social and cultural ideas.

In any typical week up to 100 students, businessmen and civil servants attend courses on everything from export marketing and regional development policy to European economic and monetary union.

But in the narrower Irish context it also provides a cheering example of how co-operation between Northern Ireland and the Republic of Ireland is not only possible but constructive.

"It should certainly not be seen as an initiative of the South for the South", says Mr Malachy Valelly, the energetic and committed director of the institute who himself hails from Belfast. "We have close links with, and run programmes for all nine universities in both parts of Ireland, and we deal with both (Northern Ireland's) Industrial Development Board (IDB) and (the Republic's) Industrial Development Association (IDA).

European Diary

Ireland

Modest but much needed financial support (£20,000 each a year) is provided by the Irish Government and the Northern Ireland Office.

Appropriately enough Ireland's traditional links with continental Europe are colourfully reflected in the history of the college itself. Founded in 1607 (though not completed until 1617 with the support of Philip III, King of Spain), it originally housed the exiled Earls of Ulster.

During the 17th century many important literary works flowed from the college press – including the Annals of the Four Masters, a complete history of Ireland from the earliest recorded beginnings, and the first Irish dictionaries.

Notwithstanding consistently close links with the University of Louvain (which today has around 25,000 students), the college became underused in the years after the Second World War until the idea for the institute bore fruit six years ago.

Its success today – "We now break even on current account," says Mr Valelly – has been hard earned and according to Mr Marcus McInerney, an EC official and one of the founder members of the project, owes much to the strong and mostly silent support of a number of prominent Irishmen in the early days, including former EC Commissioner Peter Sutherland, and present and former Prime Ministers Mr Charles Haughey and Dr Garret FitzGerald.

Activities at the institute range from the wholly academic (a recent undergraduate course for the Catholic University of Washington earned students a credit back home) to the wholly practical. One of the most ambitious and successful courses is a 38-week graduate programme during which individual participants carry out a test marketing project in Benelux for their Irish company sponsors. The Bank of Ireland uses the institute as an introduction for its managers to developments in the single market, while a regular training programme for young people in the Irish hotel industry is another popular facility.

Mr Valelly and his staff have deliberately avoided building up a large academic faculty, and instead use the expertise of the nearby university and the extensive network of officials in the Community institutions in Brussels. He emphasises that the aim has never been to compete with other business training establishments, rather to complement what they are already doing by "adding on the European dimension".

On North/South issues in Ireland, he says: "It has become painfully obvious from our programmes and from talking to people on the ground that there are many areas where the two parts of the country should co-operate within Europe.

"It is a pleasing side of what we do that we can help contribute to a better understanding of what is happening in Ireland but that is the limit of our ambition."

French trade deficit plunges in April

By George Graham in Paris

FRANCE'S trade deficit plunged last month to FFr4.31bn (£0.45bn) after seasonal adjustments, the worst figure since last October and a return to the average level of deficit experienced in the last nine months of 1989.

While the deficit was worse than stock market forecasters had predicted, and much worse than March's figure of FFr1.06bn, the deterioration was half expected and corrected the unusually favourable picture presented in the first three months of the year.

Insee, the state economics institute, had already warned that the first quarter's figures had been affected by the fall in oil and non-ferrous metal prices, as well as by unusually high grain exports and by the strike at British Aerospace, which distorted figures for the Airbus passenger aircraft consortium.

April saw the export of six Airbus passenger aircraft worth a total of FFr1.39bn, but the effects of the strike are expected to continue to affect the trade figures. Whereas before, imports of wings from British Aerospace stopped while exports of completed Airbuses continued, now the imports of parts have resumed while there are only a few finished aircraft to deliver.

Many economists still believe that France's trading performance has reached a real turning point, even if monthly trade deficits are likely for the rest of the year to return to the FFr3bn to FFr3.5bn range, rather than the first quarter's average of less than FFr1bn.

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Jibes send Italy's team scuttling for cover

By John Wyles in Rome

ANY prize for the commercial idea most likely to fail in Italy this year would undoubtedly go to some doughty citizens of Udine who are marketing a T-shirt proclaiming the message: "It's only a game."

Try telling that to the Italian national soccer team. The team is preparing for the World Cup behind closed doors near Florence this week because of the hysterical hatred to which some players have been subjected by 4,000 Florentine fundamentalists.

More accustomed to the status of national heroes than villains, the Azurri (Blues) have been scalded by the angry and frustrated passions which have been seething in the Tuscan capital since their local team lost to Juventus of Turin in the first leg of a fairly violent UEFA cup final nearly three weeks ago. Nothing was salvaged by a goalless draw in the second leg.

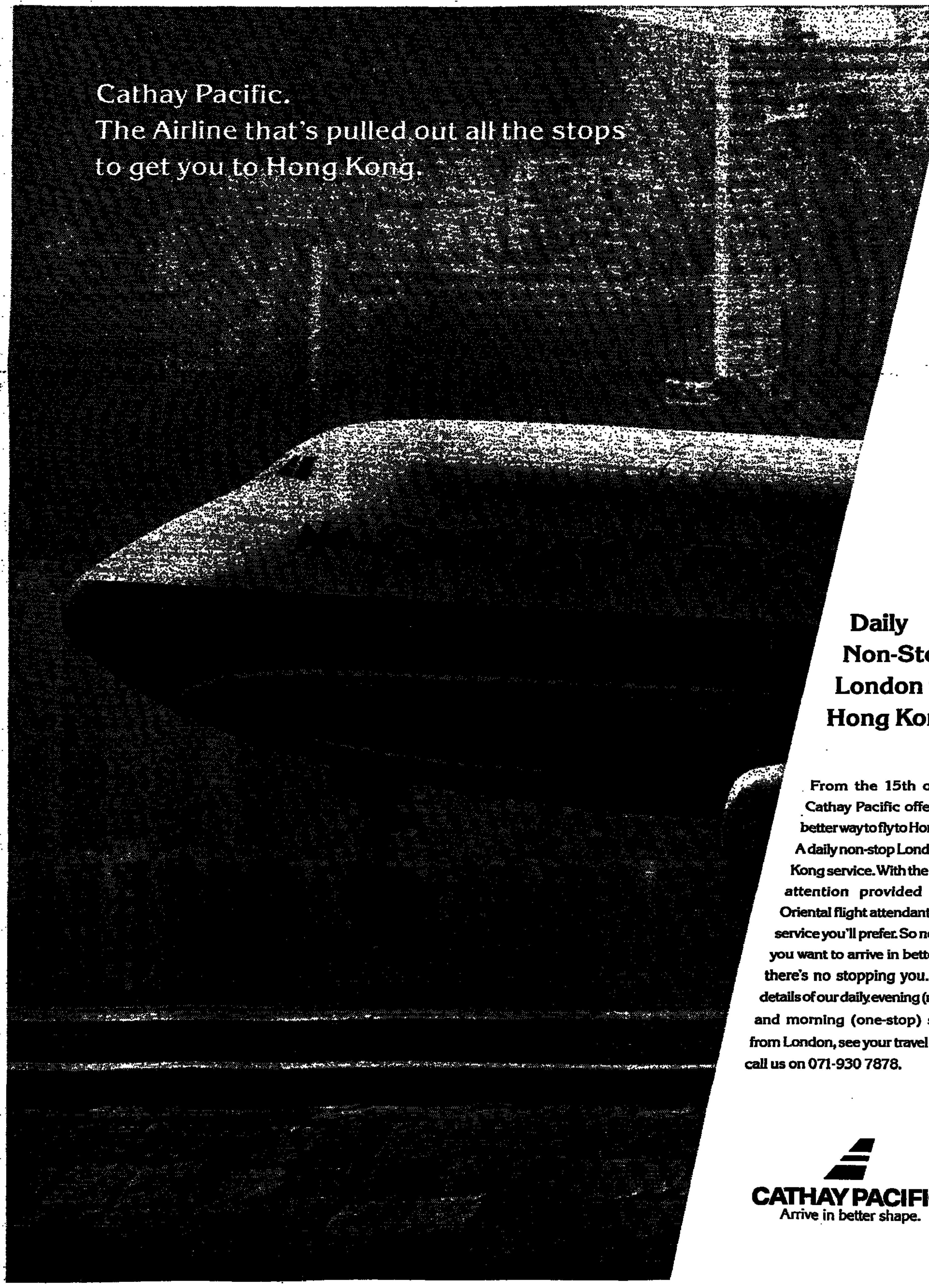
Nevertheless, time and iced mineral water might eventually have induced the reflection in Florence that soccer, if more than a game, should not be war by other means, had the town club not then sold its best and most charismatic player, Roberto Baggio, to Juventus last week, reportedly for L18bn (£7.73m).

So the four, now five with Baggio, Juventus players, together with the rest of the national squad, have had to bear the brunt of Turin's laying waste of Florence.

Some 2,500 spectators so enjoyed the barracking and hurling of insults during last Saturday's training session at Coverciano that their numbers swelled to 4,000 on Sunday.

What the Medicis were to poison, so the Florentine football fan is to invective. Women and small children, to say nothing of the players, were terrorised by chants of "Brazil, Brazil" and strong men winced when the air was torn asunder with cries of "Liverpool, Liverpool" and, even worse, "Fools, you'll lose the first round."

This was too much for the national team manager who decided that the tranquillity of his players could only be restored by keeping them out of earshot of their fans. If they walk away with the World Cup trophy on July 8, they will be heroes. Except perhaps, Roberto Baggio in Florence.



Japan 'working to December deadline on Uruguay Round'

By Robert Thomson in Tokyo

JAPAN attempted yesterday to end confusion over whether Tokyo would like an extension to the current Uruguay Round of Gatt negotiations, which are scheduled to finish at the end of this year.

Mr Taro Nakayama, the Foreign Minister, had said that the "conclusion of the talks may not be reached until next year", though a Foreign Ministry spokesman emphasised the minister did not mean to imply that Japan was seeking an extension.

"We are doing our utmost to make these negotiations successful by the end of the year. The minister mentioned that the nature of the problem is so difficult that some people are concerned about whether it can be completed by the end of this year," the spokesman said.

Meanwhile, officials at the Ministry of International Trade and Industry (Miti) said Japan was definitely working to a December deadline, and it presumed that participating countries would reach agreement in time.

"Everyone is trying to complete their work, and no one is thinking any further than December. There may be some legal work to be done in January and February, but we expect the decisions will be made in December," a Miti official said.

Third World exporters reject US textiles plan

THIRD WORLD exporters "unequivocally" reject a US proposal to introduce a system of global quotas for world trade in textiles and clothing, Mr Hassan Kartadjoemena, chairman of the International Textiles and Clothing Bureau (ITCB), said yesterday, William Dullforce reports from Geneva.

The ITCB represents 23 developing countries, including China and all main textiles and clothing exporters. Mr Kartadjoemena said in Hong Kong that the US proposal was an unacceptable basis for current Gatt talks.

The council intends to finalise an alternative plan for dismantling the Multi-Fibre Arrangement (MFA) currently governing textiles trade. Developing countries hope to table this in the group negotiating on textiles at its next meeting in Geneva on June 12.

Textiles trade is one of the most sensitive issues in Gatt's Uruguay Round. Developing countries have linked support for the liberalisation sought by industrial nations in areas such as services and intellectual property rights to agreement on phasing out the MFA.

The US, backed by Canada, has proposed the import quotas bilaterally negotiated under the MFA be replaced during a 10-year transition by global quotas. Last week, the US tried to win wider support by modifying its plan to guarantee continued minimum quotas for exporters at present holding MFA quotas. Mr Kartadjoemena's rebuff follows the EC Commission's dismissal of the US plan as a step backwards.

Japan snubs US demand for targets on spending

JAPAN will not agree to US demands to set specific GNP targets for public works spending, Mr Ryutaro Hashimoto, Japan's Finance Minister, said yesterday, Robert Thomson reports from Tokyo. He regretted the issue remained contentious despite resolution of most bilateral trade disputes.

Japan has indicated public investment will be raised about 50 per cent over the next 10 years, but has not met Washington's earlier demand for public investment to reach 10 per cent of GNP over the next three to five years – a big rise from last year's figure of just under 7 per cent.

Trade officials from both countries are due to meet in Hawaii today for informal talks under the Structural Impediments Initiative (SII). The US is expected to demand clearer goals for public works spending for the final SII report, scheduled for July.

Mr Hashimoto said yesterday that the US had accepted a more general promise of spending increases in April's interim SII report, and expressed disappointment that the GNP target has resurfaced in recent days.

He warned that aggressive US demands could hurt the relationship between Mr Toshiki Kaifu, Japan's Prime Minister, and President Bush, who have overseen the settlement of trade disputes in recent months.

Meanwhile, Japan is expected to make a formal proposal at the Hawaii meeting for follow-up talks to the SII. The proposal will apparently be for annual vice-ministerial meetings to review SII progress, though the possibility of allowing EC officials to join the follow-up meetings has also been discussed.

Lid comes off container market

S Koreans face oversupply and competition, writes John Ridding

SOUTH Korea's container manufacturers, which have dominated the world industry since the late 1980s, may be forgiven an uncomfortable feeling of *déjà vu*.

The industry cycle and comparative advantages which propelled them to a position where they now make more than half the world's containers would appear to be shifting in favour of a new group of manufacturers from South East Asia.

For Hyundai, Jindo and the other Korean manufacturers, the challenge is whether and for how long they can avoid surrendering market share to regional rivals as Japan was forced to do, to Korea's benefit, in the late 1980s.

The most immediate concern facing the Korean manufacturers is the shifting balance between container demand and supply.

Over the past three years, the strength of container demand from the world's shipping and leasing companies – resulting from increased international trade and the trend towards containerisation – has far outstripped existing capacity.

But the prospect of oversupply looms. According to Hyundai Precision Industries, the world's largest container manufacturer, the ratio of steel container production capacity to demand will this year move from 99 per cent to almost 120 per cent.

Prices, which for a basic 20ft steel container have risen sharply from $1,850 in 1987 to about $3,000 last year have peaked and are starting to decline.

"We are at a turning point from a sellers' market to a buyers' market," says Mr Soo Sam Chae, senior vice-president of Hyundai Precision. "Naturally we are seeing downward pressure on prices."

Attracted by the strength of demand and the impressive returns achieved by the Korean, Japanese and Taiwanese producers, new facilities have mushroomed from Thailand to Malaysia and Indonesia. China, too has announced plans to increase capacity.

According to the publication Container Industry, at least 14, and possibly 17 new container factories are under construction or are being planned in the region. New capacity from these operations is expected to reach 200,000teu (twenty-foot equivalent units) by the end of 1991, compared with total world production in 1989 of about 750,000teu. Many of the new facilities involve investments by leasing and shipping companies.

Wages in Malaysia, Thailand and Indonesia, are often four times lower. In addition, the rapid growth of these economies, in particular in exports, provides a strong incentive to container customers.

That this is so reflects an important peculiarity in the container industry. Shipping companies need the containers where the trade is happening. If exports are sluggish in a country, the demand for new containers at its ports is reduced. The cost of shipping containers to areas of demand is an obvious disadvantage.

According to Mr Chae the slowdown in South Korea's export machine meant that outbound containerised cargo grew by a mere 1 per cent last year, whereas inbound volume grew by 8 per cent. The combined totals for Malaysia, Thailand, Singapore, and the Philippines were 18 per cent and 19 per cent respectively.

The impact can be seen at South Korean harbours. "We have a tremendous number of empty containers at our ports, sometimes as many as 40,000," says one of the larger Korean shipping companies.

None the less, Korean container manufacturers remain confident. "South East Asia does not represent a threat at the moment" says Mr H.C. Kim, a general manager at Jindo – a belief shared by his counterparts at Hyundai and the other large producers.

Such optimism is in part justified by a series of continued advantages enjoyed by Korean companies. On the one hand, the level of industrial and transportation infrastructure is higher in South Korea than in its emerging competitors. All of the principal components, from steel to corner castings, are produced locally, a significant advantage given that raw materials account for about 70 per cent of production costs.

The quality of ports and roads is also higher in Korea. At the same time, the volume of production achieved by the five Korean container manufacturers brings significant economies of scale. "We can buy steel in the exact sizes from the local steel industry," says Mr Kim, "while the South East Asian manufactures have to buy regular-sized plate which involves a lot of scrap and wastage."

Better infrastructure, economies of scale and the higher productivity of the Korean labour force combine to erode the price advantage of the newcomers. In addition, the Korean products are of higher quality.

"Everyone has been disappointed with the new manufacturers because of the poor quality control and level of workmanship," says a manager at one of the world's largest container leasing companies. "We placed orders in Thailand because it was about 10 per cent cheaper, but they couldn't deliver on time."

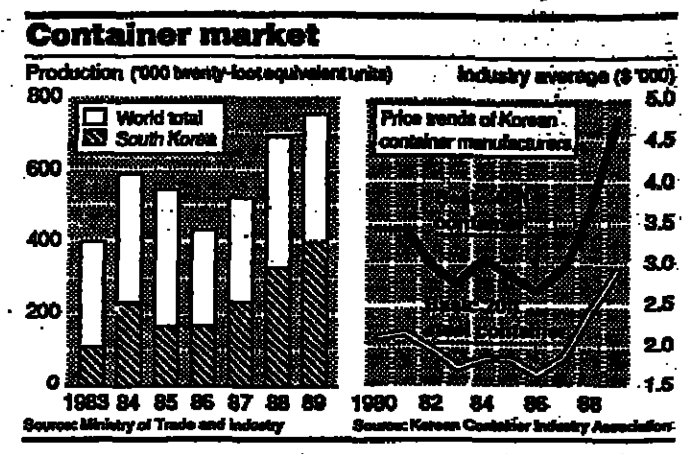
"We are not too concerned at the moment," says the sales director of one of the Korean companies. "I think we have at least five years before we lose any significant market share to South East Asia."

Meanwhile, the challenge for the Korean companies is to restructure their industry towards more sophisticated, higher value added containers.

About half Jindo's annual sales are now of refrigerated, open-top, overhead-loading, and other special containers.

Hyundai Precision is in no hurry. "We have four to five more years of good steel container production, then we will concentrate more on special containers," says Mr Chae.

Container market



Source: Ministry of Trade and Industry
Source: Korean Container Industry Association

ECGD 'will keep seeking E Europe guarantees'

By Peter Montagnon, World Trade Editor

BRITAIN'S Export Credits Guarantee Department will continue to look for centralised foreign trade bank guarantees when offering cover for medium-term export credits to Eastern Europe, despite the growing decentralisation of the region's economies.

Economic reform in Eastern Europe meant that individual concerns could run out of foreign exchange, but the newly-created foreign trade organisations did not publish the kind of financial information which would allow credit judgments to be made, Mr David Cooper, a senior ECGD official, said.

They would have to establish a track record before their guarantees would become acceptable.

"We need to look for security from someone we can judge," he told a conference at the Confederation of British Industry.

"In most of Eastern Europe, that means the foreign trade bank."

Mr Cooper said there had been some "injudicious ill-informed scare-mongering" about late trade payments by the Soviet Union.

These were due to Soviet entities entering into commitments without authorisation of the country's Bank for Foreign Economic Affairs (BFEA).

"So far as we are aware, no delays have occurred where the BFEA is guaranteeing the obligations. At present, we are talking about delays, not default in payment."

The ECGD was currently off medium-term cover for Albania, Bulgaria, Poland, Romania and Yugoslavia. It is reviewing the position of the last three countries, although it could make no promises that cover would be restored.

Other agencies such as West Germany's Hermes had restored cover for Poland but they were not required to operate on a commercial basis and could act as insurers of last resort, he said.

Limited ECGD cover is available for Hungary, but this was under review because of its heavy indebtedness.

"Reasonable amounts" were available for Czechoslovakia, East Germany and the Soviet Union.

● Hunslet Holdings, the railway manufacturing subsidiary of Britain's Telfos concern, is negotiating an acquisition in Czechoslovakia, its chief executive, Mr Edward Duke, told the conference.

Mr Duke declined to detail the proposed acquisition. Hunslet last year became the first Western engineering company to make an acquisition in Hungary when it took over the Ganz concern.

Ganz-Hunslet has now teamed up with the Budapest transport authority BKV to try to sell trams to Leeds and Sheffield.

Mitsubishi, Daimler-Benz to build Soviet car plant

By Ian Rodger in Tokyo

MITSUBISHI, the Japanese industrial and trading group, and Daimler-Benz of West Germany have agreed to co-operate in building a car plant in the Soviet Union and in procuring parts in Japan and South East Asia for Mercedes-Benz cars.

The plans are the first specific ones to arise since the two groups announced in March a strategic alliance of their aerospace, car and electronics businesses.

Mr Yoshio Taniguchi, vice-president of Mitsubishi, said yesterday in Tokyo that Mercedes, which procures most of its Y2,000bn (£7.72bn) in components in West Germany, would now seek to buy some Y400bn-worth of parts, such as pumps and instrument sets, in Japan.

Meanwhile, Mitsubishi would provide support to Mercedes-Benz in building a factory in Gorki in the Soviet Union to assemble 240,000-300,000 units a year of the Mercedes 3,000cc class cars.

Mitsubishi will also help with installing machine tools and conveyors at the plant.

Mr Taniguchi said Mitsubishi would launch a 12-member team on June 1 to promote other specific tie-ups between Mitsubishi and Daimler-Benz group companies.

Daihatsu 'to terminate Polish car plant talks'

DAIHATSU Motor of Japan said yesterday that it would terminate its negotiations with Poland over a car venture, AP-DJ reports from Tokyo.

Negotiations with FSO, the Warsaw-based car maker, were officially still under way, a Daihatsu official said, but there had not been much progress on the issue of where the cars were to be produced. The talks were expected to end next month.

Daihatsu, an associate company of Toyota Motor, Japan's biggest car maker, proposed in January that FSO should assemble 500 units a month of the 1.3-litre Daihatsu Charade. All the parts were to be imported from Japan.

Daihatsu appears to have been beaten by Fiat of Italy in the competition to provide the technology for a new range of cars to be produced by FSO. In February, FSO and Fiat jointly announced they had agreed to conduct a feasibility study into producing a Fiat Tipo-type hatchback at FSO's Warsaw plant. A final agreement was expected to be signed in July or August.

The present FSO Polonez range is based on the old Fiat 125.

NZ-Soviet deal

Moscow has fallen behind on payments in a $100m (£59.17m) butter deal, a New Zealand Dairy Board spokesman has said, Reuter reports from Wellington. "But they have assured us the payments are coming through and we accept those assurances."

The board made the deal for 70,000 tonnes of butter in March with Prodintorg, one of the world's biggest commodity importers. He could not say how much had been paid for or how far payments lagged.

AMERICAN NEWS

Bush backed on renewal of trade ties with China

By Lionel Barber in Washington

PRESIDENT George Bush, who is expected this week to renew Most-Favoured-Nation (MFN) trade benefits for China, yesterday picked up strong support from congressional Republican leaders.

Republican backing – coupled with divisions among the Democratic majority in Congress – means Mr Bush is again on the brink of a significant victory over a potentially controversial foreign policy.

Early predictions suggested China's failure to produce concessions on human rights could make it difficult for Mr Bush to muster support for extending MFN – which grants the lowest available tariffs to Chinese goods and has allowed China to become America's 10th largest trading partner since 1980.

Last week, Senator George Mitchell, Democratic majority leader, denounced Mr Bush's policy toward China as a "failure that is clear and complete". Yesterday he said the Bush Administration's actions were "sowing the seeds of disaster with respect to the next generation of leaders in China".

Congress would need a two-thirds majority in both houses to override Mr Bush's MFN recommendation – a difficult task for opponents.

Mr Bush, ever patient, has defused his critics by hinting he is ready to link MFN to improvements in human rights in China – even though these conditions may prove more rhetorical than substantive, as one official admitted.

Vigorous lobbying by US business, which has about $4bn direct investment in China, has helped Mr Bush's case. The British embassy has also weighed in, arguing that MFN is vital to Hong Kong, the main entrepôt for US-China trade, which reached $18bn last year.

Yet, as on other issues, Mr Bush has benefited from divisions among Democrats. Despite Senator Mitchell's charge, House Democrats, notably Mr Tom Foley, the Speaker, have failed to follow suit. Mr Stephen Solarz of New York, an influential Asia specialist, is lying low, knowing he needs Administration support for his efforts to reshape Cambodia policy. Ms Nancy Pelosi, the Californian who led the struggle to protect Chinese students' visa permits in the US, has said she will support MFN extension tied to various economic sanctions and improvements in human rights.

Court agreement conceals CIA payments to Noriega

By Henry Hamman in Miami

US Government prosecutors have avoided disclosing how much money the Central Intelligence Agency paid General Manuel Antonio Noriega by agreeing that the Government will pay his legal fees in his trial on drug trafficking charges.

The tentative agreement was announced yesterday in the Miami Federal District Court after a closed-door meeting between lawyers for both sides and Judge William Hoeveler.

Defence lawyers had earlier asked Judge Hoeveler either to force the Government to unfreeze some of the assets of the former Panamanian leader so that they could be paid, or release them from the case.

The Government has frozen at least 27 bank accounts in various countries, arguing that the money is profit from drug trafficking and thus forfeit. Gen Noriega claims the money came from intelligence agencies.

The Government apparently decided that paying the bills was better than having to disclose details of Gen Noriega's financial arrangements with the CIA. Judge Hoeveler had ordered the Government to provide that information in time for yesterday's hearing.

The agreement – if approved – means the Government will be paying lawyers' fees that could run to more than $300 per hour for each of Gen Noriega's team of attorneys.

There are also bills for translators of thousands of documents, numerous investigators and international travel, including trips to Cuba to discuss Gen Noriega's defence with President Fidel Castro.

The agreement effectively turns the general's legal team into public defenders. Most court-appointed attorneys are paid between $40 and $60 per hour and receive about $1,000 to pay investigators.

But all sides are agreed that the Noriega defence bill will be well over $1m.

Details of the fee agreement are to be settled in Judge Hoeveler's court tomorrow and will need further approval from the Federal Circuit Court. Gen Noriega has agreed that he will reimburse the Government if he regains control of his assets.

The agreement left some in the courtroom bemused. Mr Richard Sharpstein, a lawyer for one of Gen Noriega's co-defendants who is seeking a separate trial for his client, told the judge he thinks of the case as "Starship Noriega".

"We've gone to several worlds now, and we're still not back here," Mr Sharpstein said.

Chile President defends human rights pledge

By Leslie Crawford in Santiago

PRESIDENT Patricio Aylwin of Chile delivered an impassioned defence of his decision to set up a national human rights commission, during his first state of the nation speech on Monday.

The President has just completed two months in office, and is under fire from right-wing opponents for conducting a witch hunt against Chile's former military rulers.

Mr Aylwin has also been criticised for his government's apparent inaction in the face of a spate of terrorist attacks against members of the Armed Forces.

Mr Aylwin was categorical in his condemnation of violence, but he said the only way to prevent radical groups from taking justice in their own hands, was by establishing the truth concerning the human rights abuses committed under the former regime.

The president used his three-hour speech before a joint session of parliament to deliver a damning indictment of General Augusto Pinochet's 16-year rule, but he also extended an olive branch to the Armed Forces by thanking them for their role in ensuring Chile's peaceful transition to democracy.

"The Armed Forces were not 'defeated' in last December's elections, and those of us who triumphed are not their 'enemies'", Mr Aylwin said. "Together we should be capable of overcoming the traumas, passions and prejudices of the past."

Mr Aylwin made it clear that he thought General Pinochet's continued presence as commander-in-chief of the army was the greatest obstacle to achieving a reconciliation between civilians and men in uniform. "There are those", he said, "who want to evade their political responsibilities by shielding themselves within the Armed Forces."

Chile's conservative parties believe General Pinochet remains the best guarantee of the army's loyalty to the new civilian government, but the former dictator's isolation is becoming increasingly apparent.

While the commanders-in-chief of the navy, air force and paramilitary police attended the presidential address in the Congress in Valparaiso, General Pinochet was conspicuous by his absence. The general chose to attend a military ceremony in Iquique, in the far north of the country, and when asked why he was not in Valparaiso, he replied tersely: "Because I am in Iquique."

● Bombs damaged a judge's house, a Mormon chapel and the headquarters of Chile's main right-wing party in the second wave of explosions in a week in the Chilean capital, Reuter reports from Santiago.

No injuries were reported in the blasts set off late on Monday night, presumably by leftist groups.

Salvadorean groups agree peace timetable

By Joseph Mann in Caracas

REPRESENTATIVES of the Government of El Salvador and leaders of the Farabundo Marti guerrilla movement (FMLN) have reached agreement on a "general agenda and calendar" aimed at ending years of civil war.

The accord, which followed five days of closed-door talks in the Venezuelan capital Caracas, was arranged by Mr Alvaro de Soto, a United Nations official who served as mediator. The points agreed upon by the two sides represent a first step toward achieving a peaceful settlement in El Salvador, but substantial issues must still be resolved.

The document signed by the UN intermediary and the two groups stated that the "initial objective" will be to reach political agreements leading to "a cessation of armed confrontation" and of any other act that "violates the rights of the civilian population". Both of these processes are to be verified by UN observers, once the Security Council approves.

When the first stage is completed successfully, the document calls for the establishment of "guarantees and necessary conditions" under which the FMLN guerrillas may re-enter normal civilian and political activities.

Technology leads may slip away from US

By Peter Riddell, US Editor, in Washington

THE US risks losing its lead in several important technologies in fast expanding markets, according to a study produced by the Commerce Department.

The report focuses on 12 emerging technologies with projected annual US sales of $350bn by the end of the century.

These include advanced materials which are high temperature and corrosion resistant, advanced semiconductor devices, high-performance computing, flexible-computer integrated manufacturing and biotechnology.

At present, the US is ahead in six of the 12 technologies compared with Japan and nine compared with Europe. The US is behind in five sectors compared with Japan and one compared with Europe.

However, in terms of the trend of comparative advantage, the US is gaining ground in none of these areas compared with Japan, holding its own in only two (artificial intelligence and flexible computer-integrated manufacturing) and losing in 10.

The prospects are better in relation to Europe, where the US is gaining in three areas (artificial intelligence, biotechnology and high-performance computing), holding its own in six and losing in three.

The one sector where the US is already behind compared with both Japan and Europe is digital imaging technology. *Looking ahead, this sector and* medical devices and diagnostics are where the US is losing ground compared with both its competitors.

By contrast, the US is consistently ahead or holding its own only in artificial intelligence.

The report concludes that "lately, US industry has been unsuccessful in capturing the majority of benefits from emerging technologies; at the same time, US trading partners have demonstrated substantial economic growth through the marketing of products based on US-developed technologies."

The conclusions tie in with separate analyses undertaken by the Pentagon of technologies which are vital for defence programmes. Of 20 such technologies Japan holds a significant lead in seven.

The Commerce Department reviews a number of familiar proposals to improve competitiveness including lowering the cost of research and development by a permanent tax credit, improving engineering training and education, integrating research and development, design and manufacturing, reforming the product liability system, and removing barriers to joint ventures.

* *Emerging Technologies, A Survey of Technical and Economic Opportunities, Technology Administration, Department of Commerce.*

Election board to review Dominican dead heat poll

By Canute James in Kingston

THE Central Elections Board in the Dominican Republic is reviewing the results of last week's presidential election after a first count showed the two leading candidates in a dead heat.

The review was also prompted by allegations from Mr Juan Bosch, the candidate of the Dominican Liberation Party, that fraudulent methods had been used by the Reformist Social Christian Party of Mr Joaquin Balaguer, the incumbent President.

With 95 per cent of the votes counted before the review began, Mr Balaguer led Mr Bosch by just over 18,000 votes. The registered electorate is about 3m.

Election Board officials say an announcement of the result will be made tomorrow or Friday. Opinion polls before the election gave the 80-year-old Mr Bosch, an avowed Marxist who campaigned on a platform of moderation, a significant lead over the conservative Mr Balaguer, aged 83.

The eventual winner is not expected to have a significant majority. Some Dominican business leaders said yesterday that this could lead to outbreaks of civil disorder and violence over the next few months.

Barco calls for people's army

COLUMBIA'S President Virgilio Barco has called on the country's 30m people to form 'an unbeatable army' to fight a wave of violence which officials blame on drug barons trying to sabotage Sunday's presidential elections reports Reuter.

President Barco also announced that he would not attend a five-nation Andean summit that began in Peru on Tuesday after a senator was shot dead in the latest of a series of attacks.

He called on Colombians to show solidarity with security forces "because what is at stake is the future of our families, of our principles, of our rights and of our democracy. Let the violent ones be up against an unbeatable army of 30m Colombians."

Eight car bombs have exploded in the last two months, killing 60 people and injuring hundreds, and more than 50 policemen have been shot dead in attacks in Medellin. Three presidential candidates have been killed in nine months.

Members of Mr Barco's family had a narrow escape on Monday when a bomb whose fuse had been lit failed to explode at a Bogota school attended by two of the president's granddaughters, police said. Previous reports had said that a bodyguard stamped out the fuse just in time.

The murder of Senator Federico Estrada Velez, an ally of ruling Liberal Party presidential candidate Mr Cesar Gaviria, caused shock and outrage in Colombia.

Assassins in a car and riding a motorcycle fired into Mr Estrada Velez's car when he stopped at a traffic light in Medellin on Monday. A newspaper said several types of firearms were used, including a sawn-off shotgun and one which fired dumdum bullets, which explode on impact.

Peking rejects Taiwan's overtures

CHINA yesterday rejected proposals by Taiwan's newly-inaugurated President Lee Teng-hui to open full relations with Peking, accusing him of setting impossible conditions, Reuter reports from Peking.

In its first response to Mr Lee's radical inauguration speech on Sunday, China reiterated its position that Peking was "the sole, legitimate government representing all Chinese people".

The official New China News Agency said Mr Lee had set "impossible preconditions" by calling on China to change its political and economic systems, commit itself to not using force to recover Taiwan and to allow Taipei to expand its foreign ties.

The agency accused Mr Lee of pursuing a policy of "one country, two governments" and of trying to create "two Chinas".

In a separate development, China's senior leader, Deng Xiaoping, repeated China's position that Taiwan could keep its own army under Peking's long-standing "one country, two systems" reunification proposal. Deng, 85, made the comments to the former West German Chancellor, Mr Helmut Schmidt, on Monday, according to sources who had access to the meeting.

Mr Lee's ground-breaking proposals would mean an end to Taiwan's 40-year-old policy towards China known as the "three no's" - no official contact, no negotiations and no compromise.

Since the defeated Nationalists fled to their island stronghold in 1949 both Peking and Taipei have claimed to be the sole governments of one China.

China has repeatedly refused to reject the possibility that it will one day use military force to recover the island.

Lee, who came to power in 1988 and was elected to a new term by the Nationalist-dominated electoral college in March, repeated on Sunday a proposal he first made last week to hold government-to-government talks with China.

Peking replied that it would only hold talks on a party-to-party basis.

In its response to Mr Lee's speech, China noted without comment his pledge to end within two years the government's 42-year-old emergency provisions on "suppression of the Communist rebellion".

Despite Taipei's ban on direct investment in China, Taiwanese businessmen are pouring funds into the mainland. In recent years hundreds of thousands of Taiwanese have returned to visit relatives not seen for decades but only a few mainlanders have been allowed to go to Taiwan.

Amnesty report criticises torture in Pakistan jails

By Robin Pauley, Asia Editor

TORTURE and rape in police stations, the use of fetters in prison and imprisonment on religious grounds continue in Pakistan although the record on human rights abuses has improved since Ms Benazir Bhutto came to power, according to Amnesty International's latest report on the country.

When Ms Bhutto took office in December 1988 2,029 death sentences were commuted and since then no death sentences have been carried out in Pakistan.

Thousands more prisoners, including political prisoners convicted by special military courts under martial law, were amnestied. Compensation is being paid to some categories of people imprisoned under martial law including torture victims.

"But further safeguards are needed to eliminate continuing abuses and further steps must be taken to redress human rights violations which took place under previous governments and which continue today," says Amnesty.

"Torture in police custody is still regularly reported as well as the rape of women detainees. Scores of people were reportedly tortured in police custody during 1989 including at least eight women who were allegedly raped."

The Government had taken some steps to monitor police abuses and had established a body to monitor police atrocities. But there were too few safeguards and those that existed were not always enforced.

Amnesty says there should be strict limits on detention incommunicado and detainees should have prompt and regular access to lawyers, doctors and relatives.

Pakistan's internal security organisations have gained an exceptionally bad reputation over the years.

Amnesty says: "It is also important that no internal security organisations be given responsibility both for the detention and interrogation of political suspects, and that secret detention is banned.

"All prisoners should be held in publicly recognised places of detention, and accurate information on their whereabouts should be made promptly available to relatives and lawyers."

The punishments of whipping, amputation and stoning to death remain on the statute book although only whipping is actually enforced.

Although Ms Bhutto said in a speech at Harvard in 1989 that whipping was no longer practised in Pakistan, the sentence continues to be passed, and in two instances in 1989 was carried out publicly.

The report also calls for an end to all other "cruel, inhuman or degrading treatment," including the use of chains, irons and fetters as instruments of restraint or punishment.

The Amnesty delegation raised reports that some children were kept in fetters in Punjab jails. The Punjab authorities replied that children in fetters would have dacoitry (banditry) charges against them.

The authorities in Sind said they were trying to reduce the use of fetters and the authorities in North West Frontier Province said they no longer used them.

The report recommends that all legislation be repealed which provides imprisonment on grounds of non-violent conscientiously-held beliefs, including the ordinance which makes the peaceful practice of the Ahmadiyya faith an imprisonable offence.

Ahmadis claim to be Moslem but are not recognised in Pakistan because they do not recognise Mohammad as the final prophet.

They can be imprisoned for up to three years for calling themselves Moslems, using Moslem practices in worship or propagating their faith.

Pakistan: Human Rights Safeguards; £2; Amnesty, 99-119 Roseberry Avenue, London EC1.

Tension in Srinagar as Kashmiris bury leader

By Zafar Meraj in New Delhi

SECURITY forces kept their distance in Srinagar yesterday as 400,000 people shouting anti-Indian slogans joined the funeral procession for Mirwaiz Moulvi Farooq, the Moslem leader of Kashmir, assassinated on Monday.

Mourners beat their breasts and chanted as the cortège passed through Srinagar to a newly established "martyrs' graveyard".

The authorities withdrew security forces along the route but a curfew was enforced in other parts of the city. Almost the entire population of the capital joined the procession.

The security forces were replaced by policemen because of widespread anger over the indiscriminate shooting of mourners the previous day when, according to non-official sources, more than 100 people were killed. The Government put the death toll at 27.

Militant leaders addressed the funeral gathering. Among those who spoke were Mr Yasin Malik and Mr Javed Mir, top leaders of the banned Jammu and Kashmir Liberation Front (JKLF).

Mr Malik said: "Beware of conspiracies being hatched against us. The Moulvi also fell prey to such a conspiracy and was killed by our enemies."

Mr Mir accused the Government of assassinating the Moulvi and announced that "we will take revenge".

Sixteen-year-old Umar, son of the slain leader, was declared successor to the Moulvi, both as chief priest and head of the right-wing Awami Action Committee he founded in the early 1960s.

Reuter adds: The Pakistani Prime Minister, Ms Benazir Bhutto, voiced concern yesterday over Kashmir killings.

"We are extremely concerned at the blatant manner in which human rights continue to be violated in Kashmir and we believe it is not right to keep silent against this background," she told reporters at Tunis airport.

Israelis uneasy as 'intifada' spreads

By Hugh Carnegy in Lod, Israel

ISRAELIS have grown wearily accustomed to television pictures of the Palestinian uprising – the *intifada* – over the past 30 months. But when, on Monday, scenes of violent rioting and street fighting came not from the occupied territories, but from within Israel itself, they caused a tremor.

The large Arab community which still lives in Israel – that is, inside the "Green Line" which marked the border from 1948 until the capture of east Jerusalem, Gaza and the West Bank in 1967 – has mostly remained peaceful, despite frequent expressions of sympathy for their fellow Palestinians.

On Monday, however, a wave of protests swept Israeli-Arab towns and villages prompted by the mass killing of seven Gazan workers the day before by an Israeli gunman and the subsequent deaths and multiple woundings in clashes between Palestinians and Israeli troops in Gaza and the West Bank.

The rioting in the Israeli-Arab centres, including fierce day-long clashes in Nazareth, the biggest Arab town, triggered fears that the uprising was spreading within the "Green Line". Such a development would add a dramatic new dimension to the conflict.

While most Israelis are prepared to contemplate at least some sort of political autonomy for the occupied territories, they draw the line absolutely when it comes to "Israel proper". Concerted violent unrest by Arab citizens, who make up some 18 per cent of the population, would be regarded as an intolerable challenge to the integrity of the state, as Israeli ministers warned yesterday.

In the mixed town of Lod, before 1948 one of the biggest Palestinian towns, known to Arabs as Lydda, members of the Arab community readily acknowledged that resentment was on the increase. Mr Edward Tannous, a teacher, said there had been trouble on Monday. Though it was once again quiet, the occasional smouldering tyre and remnants of a stone roadblock, so familiar in Gaza and the West Bank, testified to that.

Ms Sabah Memeh, who works in an accountant's office, said that although there were outward signs of tolerance between Jews and Arabs in the streets, there was deep-rooted resentment.

Significantly, both cited grievances over social and economic inequality between Jews and the Arab minority in Israel as being equally important in fuelling resentment as the issue of Palestinian national rights. They listed lack of education, housing and employment opportunities among Arab grievances. A tour of Lod's Arab slums, which are every bit as squalid as the notorious refugee camps of Gaza, made the point.

Combined with growing frustration over the bloody impasse in the occupied territories, such grievances make a potent cocktail, especially among the young. In the past 18 months, Islamic fundamentalists have made strong inroads in the Israeli-Arab community at the expense of traditional socialist parties. The fundamentalists hold both of the seats won by Arabs on Lod's 17-member municipal council.

"Things will not be the way they were," wrote Mr Shmuel Toledano yesterday, a former adviser on Arab affairs at the Prime Minister's office. "The Palestinianisation process is growing."

But Mr Toledano stopped short of predicting an all-out revolt. So too, do most Israeli Arabs, at least for now. "The situation here is not like the West Bank or Gaza," said Mr Suleiman Abu Saluk, another teacher from Lod. "They are under occupation. Here we are citizens and that means we cannot make an *intifada*."

This acceptance of the state's legitimacy may be being eroded, but for the time being most Israeli Arabs express their demands in terms of achieving a Palestinian state in the West Bank and Gaza to stand alongside Israel, while achieving equality of rights within Israel itself. Then, says Mr Tannous, they would be happy to stay in Israel "not because we like the Israelis but because this is our land".

A Palestinian woman being arrested at a peaceful protest outside the US consulate in Jerusalem yesterday

Yemens end years of separation with merger

By Victor Mallet, Middle East Correspondent

NORTH and South Yemen merged into a single Republic of Yemen at noon yesterday, fulfilling a Yemeni aspiration delayed for years by civil wars, tribal conflicts, and ideological differences.

The declaration of unity, accompanied by artillery salutes and blasts on ships' horns in the port of Aden, the old South Yemeni capital, owes much to the ambition of Gen Ali Abdullah Saleh, the new President who raised the flag in Aden yesterday.

Previously the leader of the more populous north, the 48-year-old Gen Saleh was promoted from the rank of Colonel on Monday night by the northern parliament shortly before its dissolution. He will head a five-man presidential council, and his Vice President will be Mr Ali Salem al-Baidh, the former head of the South Yemeni Socialist Party.

Sanaa is the new political capital, and Aden is supposed to become the commercial centre of the united Yemen.

With the exception of bands of restless northern tribesmen most Yemenis seem pleased about unity. The country is poor, but its strategic position at the mouth of the Red Sea, its population of 12m (making it larger than any of its neighbours), oil reserves, agricultural potential and cultural heritage will give it a new weight in Arab councils.

The unity declaration, already six months ahead of schedule, was advanced by another week to avoid conflicting with the Arab summit set for May 28 in Baghdad.

Although the Yemeni merger has more geographical and ethnic logic than its predecessors, Yemenis will not find it easy to reconcile the free enterprise, conservative ways of the north with the south's communist economic system and its more liberal social practices.

Sheikh Zayed bin Sultan al-Nahyan, the President of the UAE and the ruler of Abu Dhabi, was among the first to congratulate the new state.

Japanese tourism deficit rises

By Stefan Wagstyl

JAPANESE tourists are spending more on foreign holidays than ever before and travelling in bigger numbers to an increasingly wide range of destinations, according a government report published yesterday.

In the year to March, 9.66m Japanese took trips overseas, a 14.7 per cent increase. More than 3m of them went to the US, including 1.3m who went to Hawaii, the most popular destination. The biggest increase in Japanese visitors was seen in Spain, which welcomed 216,000 travellers, 27 per cent more than in 1988-89.

Japanese abroad spent a total of $22.5bn (£13.4bn) some 20 per cent more than in the previous year. By contrast, foreign visitors in Japan spent just $3.1bn, an increase of 8.6 per cent. Officials at the Japanese Ministry of Transport, which compiled the figures, said Japan's deficit in tourism had almost certainly exceeded West Germany's to become the biggest in the world.

The popular image of the Japanese tourist as the ultimate free-spender receives some statistical support from the report – the average Japanese abroad spent $2,328, against $1,109 spent by the typical foreign visitor to Japan.

Japan to host peace talks on Cambodia

By Ian Rodger in Tokyo

MR HUN Sen, the Cambodian Prime Minister, and Prince Norodom Sihanouk, the resistance leader, are to meet in Tokyo on June 4 and 5 to discuss ways of bringing an end to the 11-year-old Cambodian conflict.

Mr Taro Nakayama, the Japanese Foreign Minister, who announced the country's hosting of the conference yesterday, said he hoped discussions would focus on the prospect of a ceasefire as an initial step toward a comprehensive peace settlement.

Japanese Foreign Ministry officials said there was no peace plan yet to put on the table and no assurance that there would be one, but they thought it was important to maintain the momentum of the search for a settlement. They also cautioned against any optimism about the outcome of the talks, given the deep divisions among the factions in Cambodia.

The idea for a meeting between Prince Sihanouk and Mr Hun Sen in Tokyo was put forward by the Thai Prime Minister, General Chatichai Choonhavan, during an official visit to Japan last month.

Japanese officials, who are eager to show their willingness to contribute to the resolution of political as well as economic problems in the east Asian region, immediately pursued the suggestion.

Mr Nakayama also said that Prince Sihanouk, who resigned as head of the tripartite resistance coalition last month, has indicated that he will nevertheless be coming as a representative of the three resistance factions.

Human rights groups condemn Tibet brutality

UP TO 2,000 people were executed, and many more tortured, during the six months before China lifted martial law in Lhasa, reports coming out of Tibet said, Peter Ellingsen writes from Peking.

Human rights groups, and dissidents have told of a concerted and brutal attempt by Chinese soldiers to crush resistance before Peking moved to end 14 months of martial law in Lhasa on May 1.

They also say Chinese authorities were bulldozing ancient Tibetan housing to eliminate hiding places and guarantee a clear line of fire.

Human rights groups, including Amnesty International, say there is a pattern of human rights abuse in Tibet. An Amnesty spokesman said the organisation was receiving reports of killings without trial after martial law, but could not be sure of numbers. "We have no way of knowing if it was 60 or 600, it is extremely difficult to assess," the spokesman said.

Zimbabwean business confidence increases

ZIMBABWEAN industrialists plan to raise investment in plant and machinery in the next 12 months, the Confederation of Zimbabwe Industries (CZI) said, Reuter reports from Harare.

A survey revealed a small rise in the number of firms who were more optimistic about business and a strong improvement in the number of firms reporting a decrease in pessimism.

"This, however, should not be interpreted as a significant improvement in business optimism, rather it should be seen as a substantial reduction in pessimism," said the CZI survey for the period ending March 1990.

It said substantial increases in official foreign exchange allocations for imports boosted confidence as well as capacity utilisation, which showed the biggest rise since the surveys were inaugurated in November 1984.

"Optimism levels can be expected to rise during the next survey period when the government introduces its long-awaited structural reform programme," the CZI predicted.

The Government has promised to liberalise trade this year as part of a phased programme to reduce state controls on the economy in an attempt to attract foreign investment.

Most companies expected to increase exports during the next four months but forecast a drop in domestic orders, the report said.

Employment figures increased marginally during the survey period and were expected to rise further during the next four months.

Pretoria threatens right wing

THE SOUTH AFRICAN Government threatened yesterday to use the full force of law against armed white right wing extremists, some of whom have promised a race war in the Orange Free State goldfields, Reuter reports from Johannesburg.

Mr Adriaan Vlok, the Law and Order Minister, said he might use gun control laws or emergency powers to crack down on people who gathered in public with firearms and other weapons.

"Such a step is drastic," he told parliament during a debate on the growth of armed neo-Nazi "kommandos" pledged to oppose political reform.

"But I am not prepared to allow these reckless and frightened people to push the country over the precipice of bloody race conflict."

Mr Vlok was responding to a decision by white vigilantes in the mining town of Welkom, a flashpoint in national racial tensions, to resume night patrols seen by blacks as provocative.

"Under no circumstances can it be tolerated that people or groups act in such a manner, or carry weapons in such a way that other members of the community feel threatened or that it is the cause of conflict," he said.

In Tanzania, exiled leaders of the radical black Pan Africanist Congress (PAC) said they would send guerrillas of its Azanian People's Liberation Army (APLA) into Welkom's black township of Thabong to defend it against whites.

"It becomes the duty of the armed APLA units in the home front to switch their activities to Welkom and defend the unarmed civilian population," the PAC said in a statement sent to the South African Press Association.

The tension in Welkom, 260 km (160 miles) south of Johannesburg, led to black protest on Sunday during which police opened fire.

Spokesmen at local hospitals said yesterday that the initial death toll of four had risen to 11 with the deaths of some of the more than 90 people wounded in the shooting.

Mr Nelson Mandela, deputy president of the African National Congress, termed the shooting an inexcusable massacre of innocents, hinting it could threaten his scheduled talks with President F.W. de Klerk.

"If the Government continues to massacre our people while talking about negotiations and peace - that we cannot tolerate," he said.

Liberal opposition parliamentarians have demanded a crackdown on neo-Nazis such as Welkom's Afrikaner Resistance Movement area secretary Mr Blikkies Blignaut, who declared on Monday: "We are preparing for a full-scale war."

Israel central bank to offer monthly tender

Israel's central bank announced yesterday that it will offer the public an unprecedented monthly monetary tender in an effort to cut local interest rates, Reuter reports from Jerusalem.

The bank plans to offer a limited amount of credit directly to companies and private borrowers.

"The direct tender will provide the public with cheaper credit, and will force the commercial banks to lower their interest rates", a central bank official said.

Commercial bankers expressed anger at the central bank's decision, saying the Bank of Israel was twisting their arm.

The central bank retorted that the move was aimed at ending a three-year economic slowdown that resulted in a meagre 1 per cent GDP growth in 1988 and 1989 and no growth so far in 1990.

"Lower interest rates will spur the stagnant economy, especially as inflation is falling," a bank spokesman said.

The commercial banks will be responsible for accepting orders for the central bank monetary tender and for checking the borrower's guarantees, in return for a commission.

The first tender will be offered on June 4, but the size was not disclosed.

The central bank regulates currency liquidity by offering the commercial banks a weekly monetary tender, but it will be the first time a tender is offered directly to the public.

Commercial bank interest rates on overdrafts to the public currently average 28 per cent, with inflation running at an annual rate of about 16 per cent.

Hyundai Motor offer rejected

UNION workers at Hyundai Motor rejected a proposed new labor contract yesterday, dashing hopes for a quick end to a seven-day-old strike at South Korea's largest car-maker, AP reports from Seoul.

The vote at a general meeting was 16,955 against accepting the company's offer and 7,310 for acceptance, with 311 votes declared invalid, union officials said by telephone.

Union and company officials both said they were disappointed and had expected the contract to be accepted by the union membership. It was not clear when negotiations might resume.

The Hyundai plant is in the port of Ulsan, 160 miles south-east of Seoul.

Company officials said industrial action had cost Hyundai Motor $263m (£155.62m) in sales up to yesterday. The amount covers the current strike and an earlier four-day sympathy strike staged to support Hyundai shipyard workers.

Where the children do not believe in the future

John Elliott visits a Hong Kong camp for boat people which the commander says is virtually a prison

THE MAN in charge describes it as "virtually a prison camp". Police superintendent Roy Nicholls, commandant of Hong Kong's High Island camp for Vietnamese boat people, says: "We provide the necessities of life – they have a roof over their heads, beds, food and washing and toilet facilities".

The "necessities" were built seven months ago on a slab of white concrete spread across a coffer dam of the New Territories' large High Island reservoir. They adjoin a water sports lake surrounded by the spectacular green hills and mountains of the Sai Kung country park.

Here 6,928 of Hong Kong's 55,000 Vietnamese boat people live out their daily routine behind a 20-ft high double wall of barbed wire, watched by 200 policemen.

Most crouch in their "homes" – tiers of bunks which house a couple and a child and their belongings on a 5ft by 4ft plywood sheet with 3ft of headroom – till it is time to queue for food. Each dormitory holds 250 people.

Children play on a brightly coloured steel and plastic adventure playground donated at a cost of US$75,000 from the US by a Buddhist leader. The youngest go to a public play area on the edge of the lake – the only Vietnamese allowed out, apart from the sick, lawbreakers, and those who volunteer to go home.

Others attend a three-month old school in camp run by an international aid organisation. It caters for 900 children in shifts but, says Pham Duc Tao, the Vietnamese head teacher, the children "do not work hard because they do not believe in their future". Some of them enthusiastically sang a modern Vietnamese song, which defied translation, for a BBC radio reporter.

Sanitation and health rather than violence and break-outs are the main problems. That is markedly different from the situation in recent months at some other camps, notably the vast 20,000-inmate Whitehead centre, where there have been mass break-outs and where police have quelled uprisings with tear-gas.

Many of the High Island boat people are among the total of 1,957 Vietnamese who have arrived in Hong Kong this year. The total is only about 20 per cent of the 9,857 recorded by the same time last year.

An ethnic Chinese man wearing an "I'm Irish" T-shirt says he had left because ethnic Chinese were being recruited into the army.

"I refused to join the army so I fled," says Lieng Chanh Bao, a 25-year old from Ho Chi Minh City. He had travelled by land up to Vietnam's northern border with China and then sailed along the south China coast to Hong Kong. His boat had been helped by friendly Chinese locals and marine police.

An old man says he spent nine years in a re-education camp and Roman Catholics allege they suffered religious persecution. "I was jailed for a year for taking part in seminary training activities," says Ha Phung Quang, a 29-year old shoe mender from the southern coastal resort of Dalat.

Mr Nicholls runs a tight ship in disciplinary terms. He has the bearing of a policeman who knows that he wields instant authority more effectively than the prison staff seconded from Hong Kong's correctional services departments who run most other camps and have been losing authority and morale.

"We say come and they come," he says. "We have strict discipline with the power of arrest and there are solitary confinement cells."

Generally the boat people say they appreciated the police discipline, though they complain about poorly-cooked boring food – rice, beansprouts, cucumbers, and fatty pork or chicken wings. That might improve when an electricity substation is built and provides power to a new canteen kitchen, already full of giant woks and other utensils.

"We are really trying to build a community spirit with a united management front of police and aid workers," says Mr Nicholls. "We want the Vietnamese to help run things – we have the women and children on our side but the men are too macho and walk away till their wives give the order."

Details of the 6,928 – half of them women and children – are recorded on a computer for instant analysis. The number is constantly rising with a birth rate that averages one a day. (In the year to the end of March, there were 1,600 babies born in all Hong Kong's camps, considerably more than the total of 1,407 voluntarily repatriated to Vietnam).

But High Island is in a honeymoon period because no one has yet been screened under a controversial process which determines whether a person is a refugee who qualifies for resettlement in developed countries or is an economic migrant who must eventually be repatriated to Vietnam.

The police fear violence will break out when screening starts which will probably be at the height of the summer heat and will coincide with the next efforts by the Government to get controversial mandatory repatriation started. "The situation here could change quickly," says Mr Nicholls.

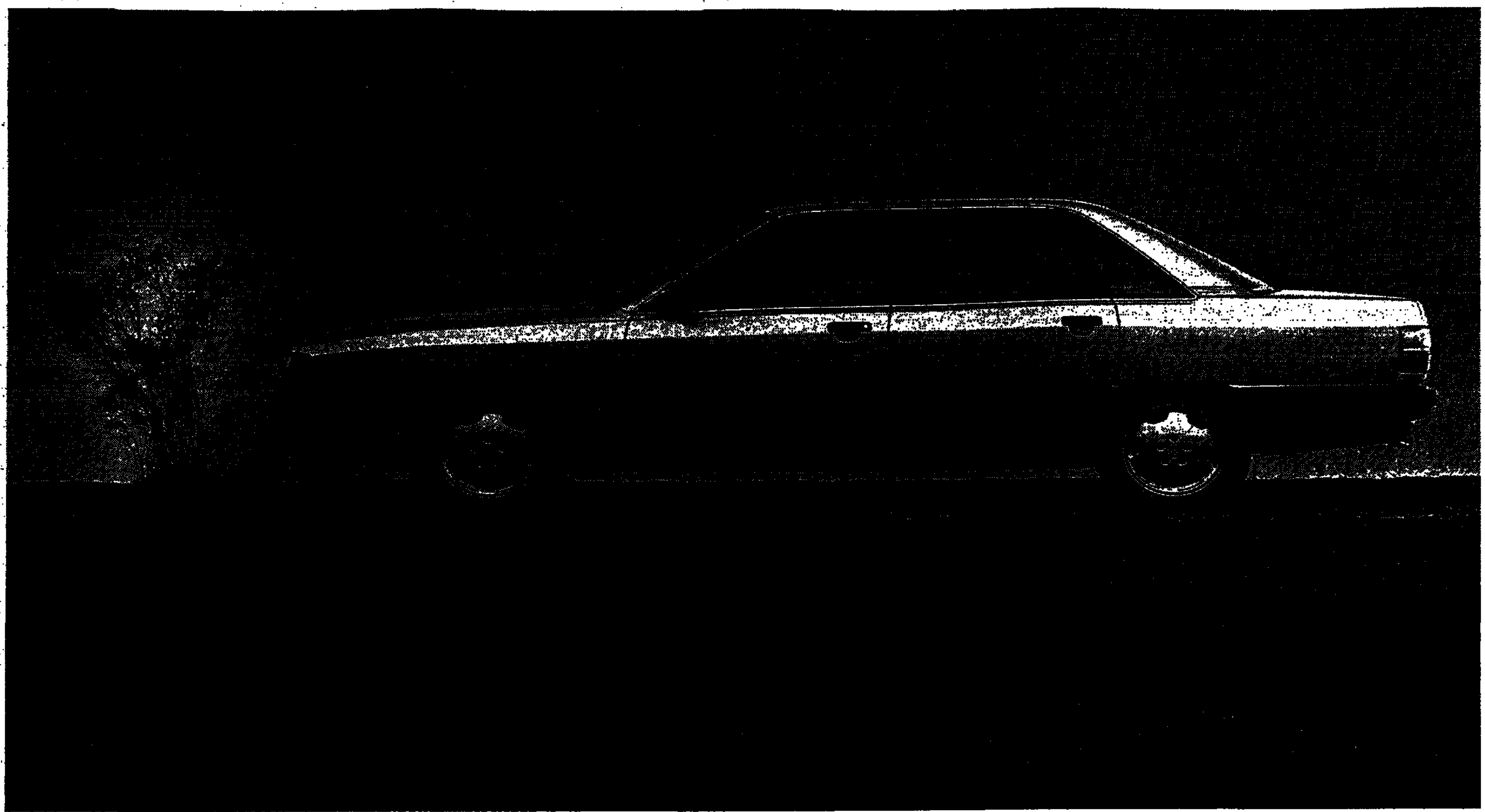
Libya and Syria seek missiles from China

LIBYA and Syria are trying to buy long-range Chinese missiles and Libya is developing a surface-to-surface missile of its own, a British magazine quoted Israeli intelligence officials as saying, Reuter reports from London.

Flight International reported yesterday that Israel believed Syria was negotiating the purchase of M-9 surface-to-surface missiles from China, which have a 600km (360-mile) range that could be extended to 1,000km. The magazine quoted the Israeli officials as saying that Libya proposed financing the purchase of 140 M-9s, keeping 80 and sending the other 60 to Syria.

The officials also said Libya was developing a 1,000km-range missile that could reach the Jewish state.

It quoted the Israelis as saying the missile's rocket motor was being tested but the Libyans were having trouble getting vital components.



A critical appraisal of the Audi 100 Turbo by a bog myrtle.

Audi

To a bog myrtle the fact that an Audi 100 Turbo can reach 60 mph in 7.5 seconds, or achieve 134 mph on a German autobahn, or is fitted with ABS as standard is largely irrelevant.

However, one aspect of the 100 Turbo that is of interest to the bog myrtle is the 3-way catalytic converter now fitted as standard in all Audi cars.

The converter removes up to 95% of toxic pollutants from the exhaust's gases. These include deadly carbon monoxide, unburnt hydrocarbons and oxides of nitrogen which contribute to photochemical smog and to the phenomenon we now call 'acid rain.'

The bog myrtle is a wonderfully fragrant shrubby plant. Originally, before hops became popular, it was used in the making of beer.

It flourishes in bogs, fens and wet heaths. Predominantly in Scotland, often around the edges of lakes.

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OVERSEAS NEWS

Sectarian strife upsets tranquillity at oasis

Faiyum is now characteristic of Egypt and the challenges it faces reports Tony Walker

"This is my cross and I'm so proud of it," said the Christian woman fingering the gold cross on a chain around her neck. "If they think they can take our crosses away they are much mistaken. They have to respect our beliefs too."

In the small town of Sennouris, about 80 kilometres south-west of Cairo, all is not well these days between Christians and Moslem extremists since fear and prejudice began festering on the wings of rumour and innuendo.

Sectarian strife, never far below the surface in the Upper Egyptian towns of Assiut and Minya, many kilometres to the south, has crept uncomfortably close to the capital. But this sectarianism is only part of the story.

The large Faiyum oasis, which embraces a cluster of traditional towns and villages like Sennouris and a population of about two million, had been relatively tranquil until quite recently. Now scarcely a week passes without trouble of one kind or another for the authorities, including a recent shootout between the police and Moslem fanatics in which 17 people died.

The crowded oasis is characteristic in many ways of an Egypt that is facing one of the most serious challenges of its recent history as the Government seeks haltingly to steer the country out of the vicious cycle of poverty and debt into which it has fallen.

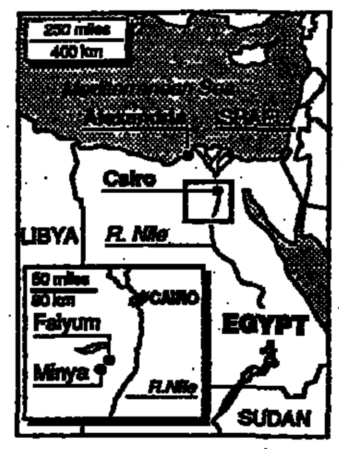
Population pressures, unemployment, inflation and the restless tide of Islamic extremism has turned the once peaceful oasis into one of Egypt's worst troublespots. Like and Minya, the Faiyum has become a nagging worry for the Government.

"It's the devil who came and interfered and stirred things up," said the Christian woman, who asked that her name not be published, for fear of reprisals from bearded young Moslem zealots who stalk Sennouris's narrow dusty streets.

It was these same young men, some of them still in their teens, who went on the rampage recently, attacking Christian-owned shops in the town, after rumours spread that a 65-year-old Christian grocer had molested a six-year-old Moslem girl.

Father Moussa Hana Zaka, the gentle Coptic priest of Sennouris's lone Christian church of St. Michael, insisted that the rumour was unfounded. The shopkeeper, he said, had merely scolded the girl who was being bothersome and had tried to push her out of his shop.

Whatever the truth of this episode it was enough to ignite simmering tensions in the small town of 60,000, about 15-20 per cent of whose residents are Christians.



'Young people are in despair. They have no hope for a better future and are seeking something which will give them hope. Some of them become militant.'

The incident also sent a further shudder through Egypt's community of six million Christians, the overwhelming proportion of whom are Copts.

Not surprisingly, the Christian minority is extremely sensitive to any hint of sectarian strife.

Observers seeking specific reasons for the troubles in the Faiyum point to the fact that the oasis has a higher proportion of Christians among Egypt's 54 million people than the national average: 15-20 per cent as against 10 per cent.

They also note that many Egyptian workers have returned from Iraq and Libya recently to the oasis thus depriving families of their main breadwinner, and adding further to economic hardship.

Then they cite the malevolent presence of the charismatic Sheikh Omar Abdel-Rahman whose seat is in the Faiyum. The blind cleric, who is widely regarded as the spiritual inspiration for many extremists fringe groups in Egypt, was arrested at the time of late President Anwar Sadat's assassination in 1981, and subsequently acquitted after facing charges of incitement.

He has been in and out of jail since his release in 1983 and is now awaiting a verdict in a trial in which he was accused of involvement in street clashes in Faiyum City in April, 1989.

In their constant game of cat and mouse with Moslem extremists, the decision facing the authorities is whether Sheikh Omar Abdel Rahman is more dangerous in or out of jail.

But much more than the influence of one man, or generations of fear and prejudice between Christians and Moslems, it is Egypt's economic crisis that is fraying the country's fragile social contract between the regime and populace.

Sectarian disputes are fed by economic tensions in a country where there are too many people, too few jobs and too little hope of an early improvement in the lot of most Egyptians.

"Young people are in despair," says Fahmy Howeidi, a specialist in Islamic trends.

"They have no hope for a better future and are seeking something which will give them hope. Some of them become militant."

The Government, which recently increased prices of many essential items such as butane gas and electricity by up to 130 per cent, harbours few illusions about the challenges it faces.

Officials from President Mubarak down have been issuing dire warnings about the consequences should people dare use the economic crisis for political reasons.

"I will not accept any unrest and will deal with any such unrest very firmly," Mr Mubarak said this week.

"What we are doing is something we should have done years ago and the aim is not to burden the people." In the Faiyum, it is not clear that this message has got through.

Singapore inflation fuelled by economic growth

SINGAPORE'S once modest inflation rate is rising quickly, boosted by double-digit economic growth, Reuter reports from Singapore.

According to a survey by the Ministry of Trade and Industry, the consumer-price linked inflation rate rose 3.5 per cent in the first quarter of 1990, compared with 3.2 per cent in the previous quarter and only 1.3 per cent a year ago.

The 1989 rate was 2.4 per cent.

The ministry said the 1983-based Unit Business Cost (UBC) index of the manufacturing sector rose 7.1 per cent in the first quarter, from 4.3 per cent in the previous quarter. The report said the bulk of the increased business expenditure was due to higher labour costs, which grew 8.3 per cent compared with a 3.3 per cent rise in the previous quarter.

"Price increases in food, housing and transport and communication items contributed about one quarter each to overall inflation, while miscellaneous items (such as private medical fees and packaged tours) contributed another one fifth," the report said.

Food prices rose 2.1 per cent in the latest quarter due to dearer soft drinks, coffee, tea, sugar and fish. Housing costs increased 5.1 per cent as a result of more expensive private accommodation and rising electricity tariffs.

Economists said the higher prices and increased business costs indicated the economy was overheating.

The survey said part of the high growth in the latest quarter was due to a one-off growth in the petrochemical industry and could not be expected to be sustained for the rest of the year.

GDP has been expanding at an average of 10 per cent a year since 1987 against a relatively modest long-term growth of 5 to 6 per cent set by the Government.

Investment analysts said if business costs continue to jump, foreign manufacturers may look to invest in countries offering lower wages and inflation rates.

Taiwan warns against currency speculation

TAIWAN'S central bank Governor, Mr Samuel Shieh, has warned against speculation on the Taiwan dollar, saying that the next local currency fluctuation would be faster and riskier for speculators, Reuter reports from Taipei.

He described the current value of the Taiwan dollar against the dollar as "reasonable".

The Central Bank on May 15 sparked a one-time fall in the Taiwan dollar, depreciating it almost 4 per cent against the dollar to 27.5.

Mr Shieh said the Central Bank had incurred huge exchange rate losses in previous years. Official figures put the loss at about T$600bn at May 4 last year, when the Taiwan dollar appreciated to a record high of 25.4 to the dollar from 40.4 on September 26 1985.

The central bank will no longer allow speculators, mainly banks and local companies, to take advantage of local currency appreciation, he said.

Bankers said the central bank's warning was intended to eliminate expectations of further depreciations in the Taiwan dollar, which increased capital flow away from the island.

"The warning is clear and speculators could pay a price if they do not take heed of it," said Mr Ken Ping, vice president of the state-owned Bank of Communications.

Haryana province head resigns

By K.K. Sharma in New Delhi

The crisis in the ruling Janata Dal over the issue of election violence in the northern state of Haryana, blew over for the time being when its Chief Minister, Mr Om Prakash Chautala, resigned yesterday after heavy pressure from leaders of the party that he should quit his post.

Mr Chautala is the controversial eldest son of Mr Devi Lal, Deputy Prime Minister, who succeeded his father as Chief Minister of Haryana last November. Mr Devi Lal has been resisting demands that Mr Chautala should be asked to resign and there were fears that he would split the party on the issue.

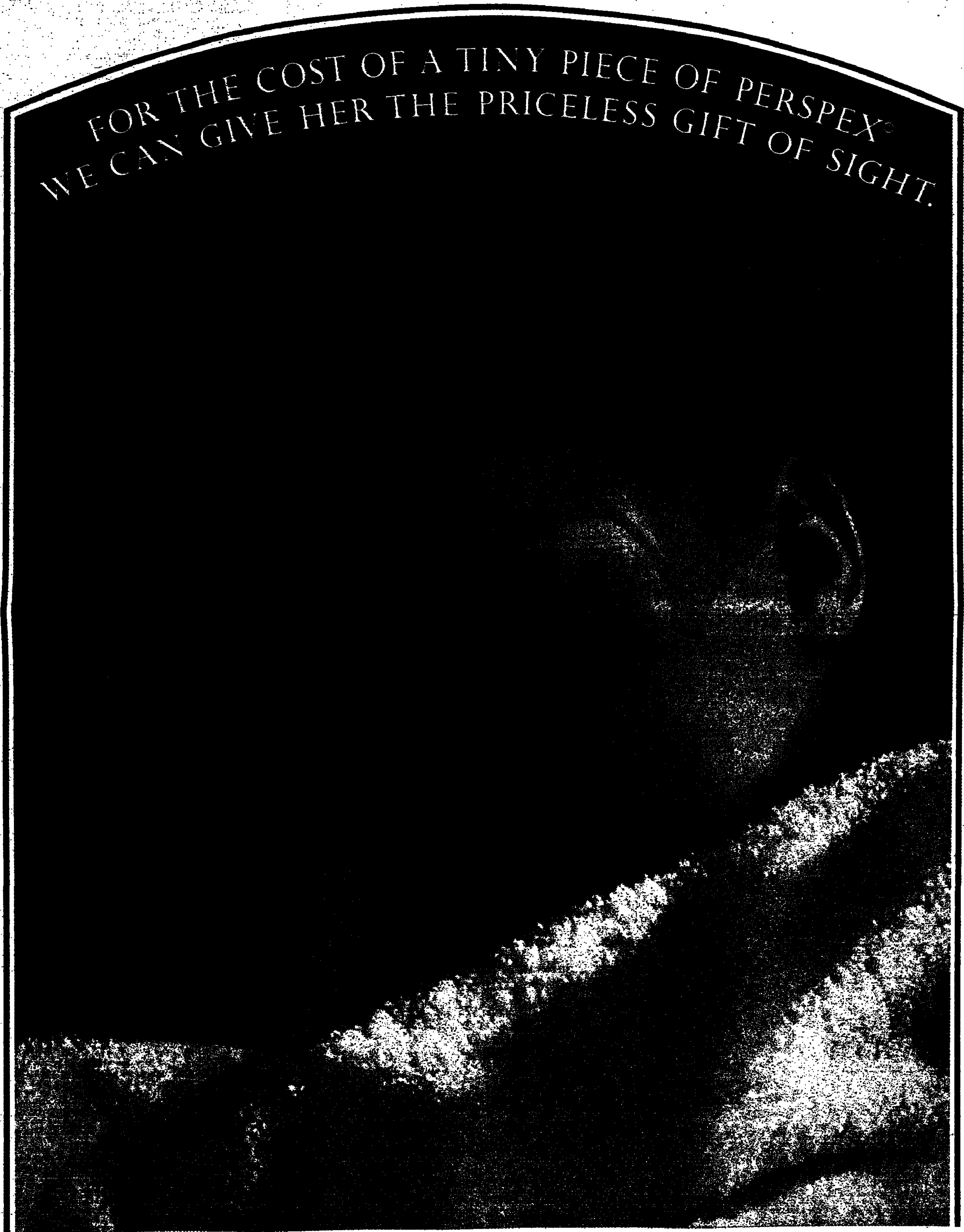
The demands for Mr Chautala's resignation followed election violence in the constituency of Meham which he contested three months ago.

The by-election was then annulled following charges of rigging and violence by his followers. It was annulled again last week when an independent candidate was murdered.

Mr Chautala resigned after Mr V.P. Singh, India's Prime Minister, and leaders of the Janata Dal as well as the cabinet discussed the issue in detail and agreed that Mr Chautala should quit because of the violence.

Mr Devi Lal did not attend the meetings but is apparently reconciled to the decision. He is expected to have a major say in selecting Mr Chautala's successor, the election of whom is to be held today. Mr Chautala's resignation could strengthen Mr Singh's position in the party if, as seems likely, Mr Devi Lal accepts the slight to his son and himself without precipitating a new crisis. Mr V.P. Singh is elated by the success of his "value-based politics" since he, with other members of the Janata Dal and its supporters, favoured strong action against Mr Chautala. Mr Singh told parliament yesterday that Mr Chautala's resignation was in conformity with democratic norms.

Mr Singh sparked off a row with Congress members by demanding the resignation of Mr Rajiv Gandhi from parliament because of the large-scale violence in the former Prime Minister's constituency of Amethi in general elections last November.



Regrettably, cataracts can affect the young as well as the old and diabetic. Without treatment they can lead to blindness. But faulty lenses can be replaced in a simple operation using

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Cockpit to cabin link proposed by air crash inquest

By Paul Betts, Aerospace Correspondent

A VERDICT of accidental death was returned by a jury yesterday at the end of the ten day inquest on the 47 victims of the British Midland Boeing 737-400 aircraft crash on the MI motorway last year.

But Mr Philip Tomlinson, the coroner, urged the UK Civil Aviation Authority and the Department of Transport's Air Accident Investigation Branch to consider taking a series of actions to improve flight safety.

These included the contact between the crew in the aircraft's cockpit and the cabin crew at times of emergency; the provision of externally located cameras and a close circuit television system to enable the crew to spot possible problems in the airframe or engines; new warning lights to aid identification of a particular engine; a red indicator area on vibration gauges to highlight increased stress.

Other proposals put forward by the coroner included tests of new engines and new versions of existing engines as well as possible changes to instruments panels and gauges in the cockpit.

The MI crash occurred when the pilot and the co-pilot of the British Midland 737 shut down the right engine of the aircraft when a fault had developed in the left engine.

The aircraft with 126 passengers and crew on board crashed on January 8 last year on the MI as it attempted an emergency landing at East Midlands Airport, near Derby.

The accident is still the subject of an inquiry by the Air Accident Investigation Branch which is expected to publish its long awaited report this summer.

The inquest has left important questions unanswered and no precise explanation was given why the wrong engine was shut off on the British Midland flight from London Heathrow to Belfast.

Lawyers representing the families of the victims said the verdict would not affect their campaign for compensation.

Law suits have been filed in the US against Boeing and the US General Electric company which makes the CFM-56 engines in a joint venture with Snecma of France.

Anti-terrorist squad called to London haul

By Emma Tucker

TWO LOADED Kalashnikov semi-automatic rifles were discovered by police in a car in Tottenham, North London early yesterday morning.

The car was halted after a high speed chase. The driver was arrested after he tried to escape on foot. He is being held under the Prevention of Terrorism Act at a central London police station.

Members of Scotland Yard's anti-terrorist branch and bomb squad were called to investigate Commander George Churchill-Coleman, head of the anti-terrorist branch, took charge of the investigation.

Police are still hunting a red Peugeot, believed to be following the first car. There is evidence to suggest that the missing Peugeot 205, which is believed to have one man in it, was from the Republic of Ireland. Forces all over Britain were warned to look out for the vehicle.

Commander Churchill said it was very likely the terrorists had purchased a second-hand vehicle, following last week's IRA bomb attack on a van outside an army recruiting office in north London, in which one soldier was killed.

● Efforts to start talks between Northern Ireland's political parties may pause for the summer if there is no prospect of progress in the immediate future, according to the Northern Ireland Secretary, Mr Peter Brooke.

Fears over 'mad cow' disease hit cattle markets

By Clay Harris and Bridget Bloom

THE FALL in demand for beef by British consumers because of concerns over "mad cow disease" is working its way back up the supply chain as farmers withhold their cattle from market to avoid selling for lower prices.

The Meat and Livestock Commission said the number of cattle sent for auction on Monday had declined by nearly 40 per cent from the same day last week. This cut in supply restricted the fall in price to less than 6 per cent.

Mr Vic Robertson, a commission spokesman, said: "We reckon this is going to be the crunch week. It will establish whether confidence will be restored."

Concrete information on how badly beef sales were affected last week by fears over bovine spongiform encephalopathy (BSE) will come today when the commission receives the results of its regular survey.

Last week's retail sales and Monday's fall in deliveries to livestock auctions are not directly related; farmers simply were anticipating a decline in demand and pressure on prices. Trying to talk down the scare, most supermarket chains and butchers' organisations deny any sharp fall in sales last week.

Fresh doubts over high-speed railway link to Channel tunnel

By Richard Tomkins, Transport Correspondent

PROSPECTS for the planned high-speed rail link between London and the Channel Tunnel were placed further into doubt yesterday as it emerged that another sticking point had arisen between the Government and the railway's promoters.

European Rail Link, the consortium planning the railway, wants the Government to steer the necessary legislation through Parliament, but the Government appears to be insisting that ERL procures its own legislation with a private bill.

The distinction is significant because the controversy over the route means ERL would stand little chance of steering its own bill through Parliament in the required time-scale without the Government's backing.

The Government is reluctant to deliver this through a so-called hybrid bill because it would mean aligning itself with an intensely controversial issue in the run-up to a general election.

Mr John Fletcher, ERL's chairman, said after addressing a Financial Times conference on transport yesterday that he suspected the legislative issue weighed more heavily with the Government than the financial one at present.

"I think a thing like an international rail link is a major piece of infrastructure for the country and the Government should take responsibility for getting the legislation through Parliament," he said.

"They did it for the Channel Tunnel: why can't they do it for the railway line?"

The Department of Transport stressed that a decision had still not been taken on ERL's submission. It said the legislative process was one of the many factors that would have to be taken into account.

On Monday Mr Cecil Parkinson, the Transport Secretary, appeared to be preparing the ground for an unfavourable decision on the link when he told the FT conference that an upgrading of the existing rail infrastructure would serve the tunnel adequately.

ERL, a joint public and private sector venture between British Rail, Trafalgar House and BICC, is believed to have costed the high-speed link at between £2.5bn and £3bn. British Rail is expected put up something over £1bn in its capacity as a consortium member and another £400m to buy space on the high-speed link for commuter trains.

The Treasury, however, regards all British Rail spending as Government spending, and is believed to be baulking at the idea of putting £1.5bn at unsecured risk in the project.

● Contractors digging the Channel Tunnel have conceded that negligence was involved in the deaths of two of six workers to die on the British end of the project.

Solicitors instructed by the Transport and General Workers Union to act on behalf of four of the bereaved families said letters had been received in two of the cases from Commercial Union, the contractors' insurer, admitting liability.

Mr Michael Giles of solicitors Robin Thompson and Partners of Ilford said the amount of damages had still to be agreed.

Writs against the contractors had been issued in all four cases.

The two where contractors have admitted negligence affect the deaths of Mr Gary Woodward, 32, a miner who was crushed by a tunnel boring machine in October last year and Mr Keith Lynch, 34, a grouter who was hit by a train in January this year.

An inquest in to the death of Mr Lynch was told yesterday how a system to act as lookouts for train drivers close to the cutting head of tunnel boring machines had broken down on the day Mr Lynch was killed.

EC merger bureaucracy criticised

By Ralph Atkins in London, Lucy Kellaway in Brussels

BRITAIN has joined other countries in calling for the European Commission to redraft what is seen as an unnecessarily long-winded questionnaire to be introduced when new merger regulations are introduced in September.

Mr John Redwood, corporate affairs ministers, has told the Commission that the draft questionnaire is too wordy and complex. He has proposed a much simpler form which would be filled in by most companies concerned, with a more detailed questionnaire required only in a few circumstances.

The regulation was agreed by EC members in December. It will mean mergers considered to have a "Community dimension" being vetted by the Commission. About a dozen UK mergers are expected to be affected each year.

Any merging companies which are likely to be caught by the thresholds laid down in the directive – combined world turnover of over Ecu 5bn and with Ecu 250m of each in the Community – will have to fill in the Commission's form.

The draft runs to 26 pages of which 18 are questions going into extensive detail, some of which the companies themselves may not know.

It would involve, for instance, companies having to provide exact breakdowns of the cost of entry into markets broken down into numerous different categories. It would also involve exhaustive listings of the ownership and control of all undertakings, traced back through their parent company structure.

France and West Germany are thought to have made similar objections. A commission official said yesterday it would try to simplify the document in line with the comments of member states, and hopes to bring out a second draft by July. It is studying ways in which the questions can be simplified and redrafted so that not all companies would need to answer all questions.

Japanese to site plant in Ulster

By Kevin Done and Our Belfast Correspondent

RYOBI, the Japanese automotive components maker and engineering group, is to invest £15m in its first European manufacturing operation with the setting up of a plant in Northern Ireland to make aluminium components for the European motor industry.

The company will initially supply transmission and clutch case castings to Ford in Europe, but it is seeking orders from other European car makers.

Ryobi's entry into the European automotive components industry, follows its initial move into overseas manufacturing four years ago with a die casting plant in the US, also to supply Ford.

A large number of Japanese automotive components makers have already expanded into North America in the wake of the Japanese car makers, but the focus is shifting increasingly to Europe, as components suppliers follow companies such as Nissan, Toyota, Honda, Isuzu and Suzuki.

Ryobi had a turnover worldwide last year of £770m and has a workforce of 8,500. The Northern Ireland plant is to be located at Carrickfergus, County Antrim with production scheduled to begin in spring 1992. The workforce is expected to total 100 by 1994.

It is believed that Ryobi will receive UK state aid in excess of £5m for the project.

Mr Akio Urakami, Ryobi executive vice president, said that the financial incentives had been an important factor in its decision to locate in Northern Ireland.

Ford announced early last year that it would invest close to £50m on re-equipping its engine components plant in Belfast, which will supply components for Ford's new generation of petrol engines that are to be produced at plants at Bridgend in South Wales and at Cologne in West Germany.

Montupet, the French motor parts company, is investing £90m in a plant to manufacture aluminium cylinder heads.

East Europe seeking new English teachers

By John Authers

EAST European governments are looking for 100,000 new English language teachers in secondary schools alone by the year 2000, the director general of the British Council told an all-party committee of MPs yesterday.

Sir Richard Francis, the director general, estimates the Council will need an extra £8m in government grants from the public expenditure round to exploit the "full potential" for British involvement in the building of Eastern Europe.

Mr Keith Dobson, the controller of the Council's Europe division, said: "Twenty thousand English language teachers in Poland alone will be needed by the end of the century. In Eastern Europe as a whole we are looking at 100,000 teachers by the year 2000. If the intention is to move it to primary school level that figure will have to be doubled. English accounts for 60 to 80 per cent of demand for foreign languages in Eastern Europe."

He added that no other language accounted for more than 20 or 30 per cent of demand. Most of the new teachers will be converted from teaching Russian.

Finding funds will be the problem. The government-sponsored 'Know-How' fund for Eastern Europe provides funds only in the short term. The Council also anticipates making efficiency savings of 2.2 per cent, and government grant in aid increased, in real terms, this year. But Mr Dobson said: "To pick £8m up from our budget next year would be quite impossible."

The council is attempting to ensure that English, not German, becomes the first foreign language for Eastern European children.

Mr David Howell, the chairman of the House of Commons Foreign Affairs Committee, asked: "Are you aware of any policy impulsion as far as German language teaching is concerned?"

Mr Dobson replied: "Very much so. There are some countries where we are in tough competition."

UK NEWS

Tory offensive heralds bitter election campaign

By Philip Stephens, Political Editor

THE Government yesterday foreshadowed what promises to be one of the longest and most closely fought general election campaigns in the post-war period with the launch of a new "summer offensive" against the main opposition Labour Party.

Mr John Major, the Chancellor of the Exchequer, joined Mr Kenneth Baker, the Conservative Party Chairman, at the start of what they pledged would be a sustained campaign to demonstrate that Labour's election prospectus was "bogus and false".

The campaign, dubbed "Summer Heat on Labour", will focus on attacking Labour's policies on the economy, trades union rights, defence, education, and on its plans to replace the new local poll tax with a "roof tax".

The launch was designed to pre-empt the publication tomorrow of a campaign document which Labour claims will confirm its decisive shift over the past three years towards the political centre.

It coincided with a bout of "pre-election" fever at Westminster based on apparently inspired speculation that despite its present economic troubles the Government might call an election in mid-1991 - a year before its present parliamentary term expires.

Senior ministers said the election speculation was designed to focus the attention of its own supporters on attacking Labour and to divert attention away from recent internal divisions over the poll tax and the party leadership. There is still concern among loyalists that Mrs Thatcher will face a formal challenge later this year. Mr Baker indicated yesterday that he would be ready for a June 1991 election, and Mr Timothy Renton, the chief whip, was said recently to have told prospective Tories that they should also plan for that contingency.

Most senior ministers, however, still regard the autumn of next year as the earliest likely date and many believe that it will be delayed until 1992.

With the Government lagging 15 points behind Labour in the opinion polls, one cabinet minister commented that it had concluded that "attack is the best form of defence".

Job losses in coal put at 7,500

By John Gapper

MR ARTHUR Scargill, president of the National Union of Mineworkers, yesterday called for industrial action to prevent pit closures after British Coal predicted that up to 7,500 miners would lose their jobs by 1993.

Mr Scargill's call followed the disclosure by Sir Robert Haslam, British Coal chairman, that he expected up to 6,200 jobs to be lost, in addition to those of 1,300 miners at three pits already being closed.

Sir Robert said British Coal, the state-owned company which currently employs 64,000 miners, needed to reduce its 72 pits because contracts with the new power generating companies required only 205m tonnes over three years.

Mr Scargill said he would recommend industrial action to fight pit closures at a meeting of the NUM's national executive next month. However, executive members said they thought an industrial action ballot was unlikely.

Sir Robert said the "vast majority" of collieries" had reasonable prospects provided they continued to reduce costs, but any pit could be put at risk by "unacceptable quality location or cost".

Pitfalls threaten the 'ultimate' privatisation

Plans to sell-off the coal industry are on the back-burner, writes Maurice Samuelson

UNTIL a few months ago, Britain's coal industry seemed to be steering steadily towards what Mr Cecil Parkinson two years ago triumphantly termed "the ultimate privatisation"?

But yesterday's meetings between British Coal management and union leaders at the Corporation's Nottinghamshire headquarters heard echoes of the tensions which had preceded the 1984-5 miners' strike.

They were was also remarkable for the lack of heated discussion about privatisation and for the tacit belief that this contentious issue has now been put on the Government's back-burner.

Mr John Wakeham, Energy Secretary, recently informed the European Community that the coal industry was unlikely to be privatised before the middle of the decade. Having untangled the baffling knots of electricity privatisation left him by Mr Parkinson, Mr Wakeham is in no hurry to honour his predecessor's euphoric timetable over selling coal.

In senior British Coal circles there is a tacit admission that for the foreseeable future the Corporation must renounce hopes of moving from loss into a steady profit and that it must instead must content itself with staying in the black.

The uncertain prospects were epitomised by yesterday's conflicting statements of Sir Robert Haslam, the corporation's chairman, and Mr Arthur Scargill, president of the National Union of Mineworkers.

More of Britain's traditional pit heads may face closure in a big coal sell-off

Sir Robert spoke bravely of the industry facing "a new era" and said he was "confident" that it could turn its prospects into reality and ensure its healthy survival.

Mr Scargill, too, spoke of survival. But in apocalyptic terms reminiscent of the early 1980s, he hinted that industrial action might be needed to avert the industry's extinction.

The bright prospects, referred to by Sir Robert, are the fruit of the industry's own exertions since the watershed strike of 1984-5. Its perils spring from new circumstances piling up in the 1990s.

The successes are dramatic: British Coal, while cutting its collieries from 170 to 73 and its workforce from 246,000 to 80,000, nevertheless remains the predominant supplier of coal to Britain's power stations and with only a marginal fall in its output. This has been achieved by generous redundancy terms funded by the Government, by investment in machinery and and the adoption of flexible working.

The Government has rewarded coal's management by writing off of the industry's accumulated debts of some £5bn, clearing the way towards financial viability, and if the Conservatives win the next election, a pledge of eventual privatisation.

On the back of these efforts, the Government has been able to privatise the electricity industry, which in turn has agreed to continue taking the bulk of its fuel from British mines for at least the first three years of privatisation.

But two dark clouds are overshadowing the coalfields. One is the longer-term ambitions of the electricity industry to diversify its sources of fuel supply at the expense of British coal. The other is the environmentalist bias against coal and the fashionable preference for natural gas as the prime fuel for electricity generation.

National targets for reducing sulphur and nitrogen pollution have already opened the door to 5m tonnes of lower sulphur coal imports in the third year of British Coal's interim contracts with National Power and PowerGen. This would would displace about 5,000 jobs in British pits.

Since those initial contracts were signed, however, the Government has relaxed the power station's sulphur scrubbing programme by one third. This could hit demand for 10m tonnes of British coal, on which some 10,000 mining jobs depend.

With privatisation deferred "for the duration" it remains to be seen whether the management can carry the workforce with it in meeting the future threats to its business.

The union's influence, however, is declining. Sir Robert Haslam is retiring this year and to meet the challenges ahead, the coal industry will need a new a chairman who will command equal support from management and men.

BRITAIN IN BRIEF

Prosecution in Guinness trial ends

The prosecution case in the trial over an allegedly unlawful share-support operation during the Guinness takeover of the Distillers group in 1986 ended yesterday.

Defence counsel began making submissions to Mr Justice Henry in the absence of the jury in the 14th week of the trial at Southwark Crown Court.

The judge released the jury until June 4 when they will hear the defences of Mr Ernest Saunders, former Guinness chairman and chief executive; Mr Gerald Ronson, chairman of the Heron group; Mr Anthony Parnes, a City stockbroker, and Sir Jack Lyons, the millionaire financier.

The core of the case concerns £25m of allegedly unlawful payments made by Guinness to recompense some of those who bought its shares to support the price and made a loss on resale, and as success fees.

All four defendants have pleaded not guilty.

Criticism of private security

Some private security companies guarding military establishments in the UK have offered "a consistently unsatisfactory and therefore potentially dangerous" service, according to a report by the Commons Defence Select Committee yesterday.

The committee's inquiry into the security of military installations in the UK was initiated after a series of terrorist incidents, including the IRA bomb at the Royal Marine School of Music at Deal, Kent, in which 11 bandsmen died last September.

Research base to close

The UK Atomic Energy Authority plans to close one of its smallest research establishments, at Culcheth in Cheshire, and move its nuclear safety activities to its Risley laboratories nearby, in a move that will affect about 450 staff.

It may also close its London headquarters and transfer the 250 staff to Harwell in Oxfordshire.

European base for Generac

The Generac Corporation of Waukesha, Wisconsin, has bought a five-acre site in Winsford, Cheshire, for its European headquarters. The company makes portable and industrial generators and alternators and intends to service the post-1992 European single market from the plant.

Production is expected to start in Cheshire next year at a 20,000 sq ft first phase, which Generac wants to expand to 100,00 sq ft by 1995. The company has not said how much it is spending and will not forecast job creation beyond 24 in the first year.

Court backs trading rules

The European court in Luxembourg had ruled that the 1950 Shops Act which severely restricts Sunday trading was not unlawful and therefore did not conflict with the Treaty of Rome setting up the European Economic Community it was claimed in Cwmbran, South Wales, yesterday.

Mr Stuart Isaacs was opening the case for Torfaen Borough Council against B & Q, the D-I-Y chain that is part of the Kingfisher group, which was convicted two years ago of selling goods on a Sunday.

The company had appealed to the European Court that the judgement was in breach of article 30 of the Treaty of Rome which prohibits national laws that restrain trade involving goods originating in a Community country. The court ruled last November that the issue was a matter for national legislation.

Herbal medicine 'under threat'

Makers of alternative medicines say their future is being threatened by large increases in government licence fees. The companies are seeking a judicial review next month to determine if the increases should be allowed to stand.

Producers of the medicines, whose sales in Britain are worth about £90m a year, say that in some cases their licensing costs have increased by more than 500 per cent as a result of the rise in licensing fees levied by the Department of Health.

Protest against peat producer

Shareholders attending the annual general meeting of Fisons – the horticulture, pharmaceuticals and scientific equipment company – were greeted yesterday by environmental activists campaigning against the company's peat extraction business.

Fisons, which supplies about 85 per cent of the peat market in the UK, is on the receiving end of the latest green campaign along with other horticulture supply companies.

The Peatlands Campaign, a consortium of ten groups, has deliberately selected Fisons as the biggest peat extractor in the UK. Fisons says a practical alternative to peat is not yet available although the company is spending large sums in research on this.

Tourists prefer Tussaud's

Madame Tussaud's, the London waxworks exhibit, was last year Britain's most-popular tourist attraction for which admission is charged, according to the British Tourist Authority.

Madame Tussaud's, which is owned by the Pearson group (which also owns the Financial Times), attracted 2.6m visitors last year. Alton Towers theme park was the second most popular attraction. The Tower of London was third.

MANAGEMENT

The manufacturing ethos

Making an 'emotional' commitment

Kenneth Gooding explains why Hervé de Carmoy is wholly committed to developing the mining and metals activities of the Belgian group, Acec-Union Minière, now part of the French Suez investment bank

It is no coincidence that those countries where the banks have made support for manufacturing industry their main priority are the countries which have the fastest-growing economies, says Hervé de Carmoy. Look at West Germany, he says, parts of France, Japan and Switzerland where "the priority the Union Bank of Switzerland gives to industry has helped to give Swiss industry the highest productivity in the world."

His is no post-junk bond crash, Pauline conversion. Three years ago de Carmoy wrote a book expressing similar views.

Now he has been given a chance to put his ideas into action as the president of a company in the distinctly down-to-earth and unglamorous business of mining and metals.

De Carmoy, an expatriate French banker, is president of Acec-Union Miniere, the Belgian group which, after radical re-shaping under his leadership this year, has established itself as one of the world's metals giants. The group later this month is to raise BFr 8.5bn (£147m) via a public offer for sale of 2m shares at BFr 4,250 each.

De Carmoy says: "We have to re-invest emotionally in manufacturing. That is the key. A country should strive to be pre-eminent in manufacturing. That is worth ten times all the financial engineering we have seen in recent times. We happen to have on our staff one of the best financial engineers in Europe – but all of his efforts are directed to the service of manufacturing and industrial development."

De Carmoy points to the widespread tendency for traditional industries to be treated with undisguised disdain. "But in these traditional industries we can develop new products, find new applications, introduce new management techniques, so that thousands of employees will feel they are part of a real adventure. We can generate wealth.

"All my efforts are directed towards using finance, which is my speciality, to the service of industry because as a country and as a group of countries – Europe – we will stand or fall by our ability to excel in industry."

His passionate outburst was sparked off by the provocative suggestion that Acec-Union Miniere's ultimate parent, *Compagnie Financiere de Suez*, the French investment bank, might not hold its recently-acquired mining and metals business in very high esteem.

Suez acquired Acec-UM in 1987 when it snatched control of Société Générale de Belgique (La Générale), Belgium's biggest conglomerate. La Générale had been under attack from Cerus, the French investment arm of Carlo De Benedetti, the Italian financier.

It is rumoured that Suez was encouraged to take action by the French Government which saw the deal as an opportunity to warn De Benedetti that he was taking too many liberties.

Suez borrowed heavily to win the battle. To reduce this burden one of its first subsequent actions was to syphon some cash from La Générale.

It did so by selling to La Générale shares in companies within its investment portfolio that had operations completely unrelated to any of the Belgian group's existing interests. Union Miniere was also subjected to financial engineering of a sort when it was merged with La Générale's Acec, a once-proud electrical engineering company. Acec was first dismembered and then absorbed by Union Miniere to give its profitable partner BFr 7bn of usable tax losses.

De Carmoy admits that these short-term measures were to Suez's benefit but insists that in every way the French bank has supported La Générale and the radical changes needed at Acec-UM.

Suez traditionally has managed its businesses in a very decentralised fashion, he points out, and both La Générale and Acec-UM are listed companies with other shareholders which cannot simply be ignored.

Suggestions that Suez has little interest in the down-to-earth operations of Acec-UM could not be further from the truth, says de Carmoy.

When he arrived at Acec-UM in 1988, he found on the table an offer from one of western Europe's major metals groups for La Générale's stake in Metallurgie Hoboken-Overpelt (MHO), a key company within its metals group. At the same time, strategic changes to the other key company, Vieille Montagne (VM), were being blocked by a shareholder group.

There was also a strategy document which suggested VM should move out of the mundane world of zinc and into high-tech composite materials. "The analysis done by the outside consultant was excellent. I disagreed only with the conclusion," he recalls.

De Carmoy says he tossed aside the recommendation to quit the zinc business in favour of composites; there is hardly anyone in the group who knows anything about composite materials whereas the company has 160 years' experience with zinc. In particular, VM has been working on new technology which will dramatically reduce the break-even level of zinc production.

The group's plants will soon be changed to incorporate the new process. So far, however, no technical details have been revealed.

The banker in de Carmoy cannot resist admitting that financial considerations also played a part in his decision. "Composite material companies were very expensive but you could buy zinc companies very cheaply. My perception of the zinc market in June 1988 was that it was going to go up and that was the time to buy."

So de Carmoy went off in entirely the opposite direction from that suggested. La Générale, where he is chief executive officer, bumped up its shareholding in MHO from 50 per cent to 75 per cent and its share in VM from 50 per cent to 96 per cent, paying a hefty premium in the second case to oust the obstinate shareholder group.

According to de Carmoy, La Générale then simultaneously embarked on three different actions. First, it unravelled the mysteries of the way MHO worked to determine the profit and potential of each of the 22 metals it handled. "We now know how we compare in terms of cost, how we are in terms of profit and what action plan we should follow over the next five years for each of the metals."

The second action, prompted by a study completed in October 1989, was to regroup the zinc businesses, to maximise available resources and reduce unnecessary competition within the group. The MHO and VM operations at Overpelt and Hoboken in Belgium and of Union Zinc in the US, which between them produce some 600,000 tonnes a year of zinc metal, were brought together under the Vieille Montagne division banner in January this year.

The third part of the action plan was to change the group from one made up of a holding company with minority stakes in quoted companies into a more sensible structure where the holding company had control of its operating companies.

Then a divisional structure was introduced. Five business units were established: zinc, copper, cobalt, germanium and precious and special metals.

"It was clear that some managers were hiding behind legal entities," de Carmoy complains. For example, managers promoted competition between VM and MHO and "played on (La Générale's) uncertain commitment. We have decentralised authority and moved it down the line. And for each group we have devised specific plans."

The group was previously split along different lines: mining, metal production and sales – "and, unbelievably, sales was outside the group's control. By merging and creating business units, we have a much more focused approach to the markets and will allocate resources more effectively."

The reorganisation still leaves some obvious, gaping holes in the Acec-UM business – for example, it does relatively little mining. This is unlikely to cause problems for the zinc operations because Acec-UM's smelting business is so large and any company thinking of developing a new zinc mine would almost certainly check to see if it could sell to Acec-UM. At present there are more than 20 mines around the world which are regular suppliers.

However, finding copper "blister" for the group's refining activities will not be so easy. Acec-UM currently refines about 320,000 tonnes of copper a year but receives only 40,000 tonnes of blister from its small smelter at Hoboken, which processes scrap.

Another 120,000 tonnes has been coming from Zaire but that country has introduced its own refining activities, forcing Acec-UM to look elsewhere.

Recently, for example, the group's sales arm, Sogem, completed an innovative package with Mexicana de Cobre so that, as part of a scheme to refinance its debt, the Mexican company will supply 4,000 tonnes a year of blister copper to Sogem on special terms for three years. Sogem is working on several similar schemes, de Carmoy says.

He does not exclude the possibility that Acec-UM might develop new mines of its own, particularly as it has a "library of geological studies. The ore is still there and we are freshening up four or five." But any new mining activity would almost certainly be in partnership with another group; Acec-UM would not be willing to bear all the risk.

The group is also looking for opportunities to share in new copper smelting capacity – another area where the group's capacity is out of balance.

Hervé de Carmoy: employees are part of a real adventure

It is clear that the new management team will for some years take a very conservative approach to building up Acec-UM. Growth will be organic, acquisitions the exception, not the rule.

De Carmoy points to those studies which reveal that half the mergers completed in the US in 1983-88 did not fulfil their promises and that 25 per cent had to be unwound because they were so unsuccessful. He admits there had been huge problems in pushing management and structural changes through in the merging of Vieille Montagne and MHO.

That is why the merger took 18 months to complete. For a successful merger "you need the right target, converging strategies, compatibility of culture, and management ability to match the styles. It is very difficult. We have all these things between Suez and us. We have to be very transparent and avoid games people play. So at present our whole emphasis is on internal growth and development."

The results are already coming through. Acec-UM reported last month that net consolidated profits for 1989 rose from BFr 1.27bn to BFr 19.87bn. This included an exceptional profit of BFr 7.13bn from the sale of superfluous property and a tax credit of BFr 900m.

The main factors cited for the better performance at trading profit level were: high capacity utilisation (90 per cent), increases in the average prices of metal and the impact of the rationalisation measures. In June 1988, Union Miniere was valued on the stock market at BFr 14bn. Another BFr 100m has been invested. The terms of the coming offer for sale value the company at over BFr 106bn.

De Carmoy says that in five years' time Acec-UM will be a much more broadly diversified and stronger group. It will also still be part of La Générale. "It is not conceivable to me to have (La Générale) without Acec-Union Miniere."

The group commissioned a study by the UK consultants Brook Hunt which mainly confirmed its own forecasts about the prices of the metals handled by Acec-UM. "We are comfortable with what they forecast," says de Carmoy. "The way they see fluctuations in prices is somewhat different, that's all."

The opening up of eastern Europe could be tremendously positive for Acec-UM, he points out. "We have hundreds of engineers and managers who are multilingual and who can work in English, Dutch, German or French. That is a major asset for us."

Management abstracts

Human resources management in the private sector. *P Larsen in Optimum (Canada), Vol 20 No 2 89/90 (8 pages)*

Sees the decline of employee morale as the predominant problem of our time and attributes it to structural and cultural causes (which are discussed). Refers to "plateauing" and to the decline of loyalty resulting from a change in the nature of the employer/employee contract. Discusses initiatives in the fields of participation, product/service quality, and flexibility, holding up Ford (in the early 1980s) and the Royal Bank of Canada as successful examples of actions that conquered the problem.

How to achieve effective lighting in your offices. *K Loach in The Office (US), Dec 89 (5 pages)*

Illuminates the world of office lighting by considering – inter alia – the problems posed by visual display units, the levels of lighting, task-ambient lighting, requirements in private offices, reception areas, and switching controls.

Low-cost facsimile – you only get what you pay for. *S Noji in Office Equipment Index (UK), Dec 89 (14 pages)*

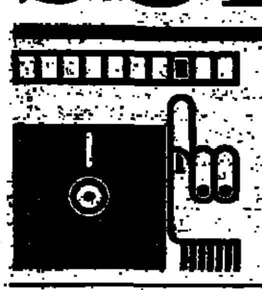
Describes the features available on most low-cost (under £1,000) fax machines, such as quick dialling and automatic document feeders, advocates that prospective buyers carefully analyse their requirements before parting with money. Diverges from low-cost machines and looks at the benefits of laser facsimile units. Provides a table of available models listing their features and prices.

Business diversification: has it taken a bad rap? *S L Nesbitt + R R King in Mergers & Acquisitions (US), Nov/Dec 89 (6 pages)*

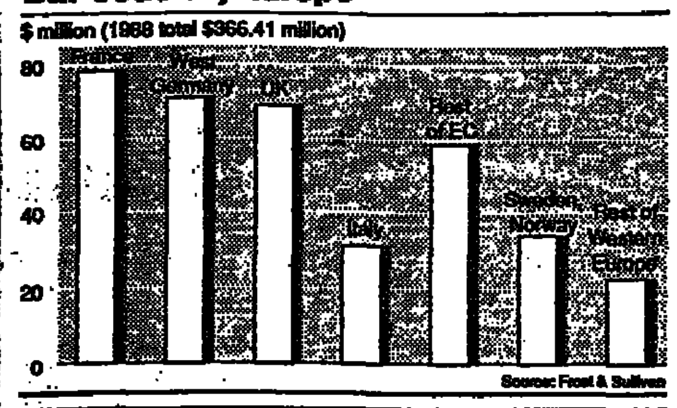
Challenges the prevailing wisdom which holds that diversified companies do not perform as well as non-diversified ones; uses the results of a study of the performance and returns to shareholders of 1,800 companies between 1978 and 1988 to prove that unrelated diversification neither hurts nor benefits corporate performance. Concludes that the strategy chosen is less important than how it's actually carried out.

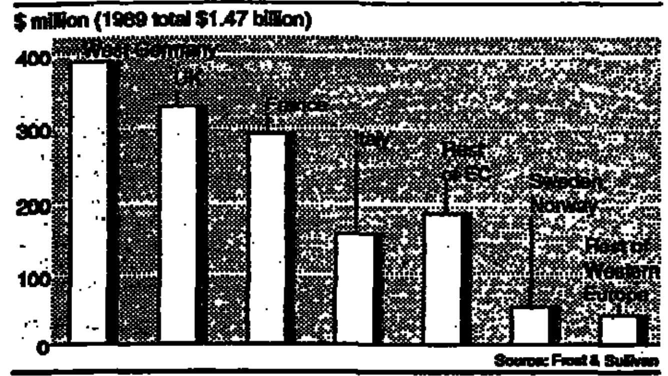
These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £5 each (including VAT and p+p; cash with order) from Anbar, 62 Toller Lane, Bradford, West Yorkshire BD8 9BY.

FINANCIAL TIMES
SURVEY



In less than 20 years, auto ID technology has revolutionised many industry sectors, with retailing at the forefront. Technology has been adapted to include radio frequency tagging, optical character recognition, magnetic stripe and even voice recognition. Clive Cookson reports





Bar coding (pictured left): the leading auto ID technology, commands about 70 per cent of the total world market

IN THIS SURVEY

AUTOMATIC IDENTIFICATION

Codes for efficiency

AUTOMATIC identification is one of the fastest growing, but least known, sectors of the high technology industry.

It enables users to collect identifying information about large numbers of items, without manual key-strokes, and to feed the data into a computer.

The auto ID sector, as it is commonly called, originated in the early 1970s with the advent of bar coding on a small scale in the retailing, warehousing and distribution industries. It took off in the late Seventies and early Eighties when supermarkets heavily invested in check-out scanners.

Auto ID has since moved into other industries, including health care, transport and, fastest growing of all, into manufacturing.

Bar coding is the dominant technology for auto ID but other identifying techniques include magnetic stripe, radio-frequency tagging, optical character recognition (OCR), smart cards, machine vision and even voice recognition.

Market research has estimated that the total world market for auto ID products and services in 1989 was in the vicinity of $4bn, with about 55 per cent in North America, 25 per cent in Europe and 20 per cent in Asia and the rest of the world. The market is growing by 25 to 30 per cent a year.

A report by Market Intelligence Research Company (MIRC), of Mountain View, California, projected worldwide revenues for the auto ID industry of $8.6bn in 1995.

Automatic Identification Manufacturers (AIM) is the trade association which represents the industry. It originated in the US and AIM USA is still the largest national affiliate. AIM UK, based in Halifax, is among the 15 other affiliates around the world.

Most auto ID suppliers are fast-growing young companies. Some of the leaders, such as Intermec and Telxon, have an annual turnover of about $100m.

The essential parts of an auto ID system are: a means of encoding the identifying information and applying it to the item in question; a machine to read the code; and software to feed the encoded data into a computer for analysis.

Bar codes, familiar through their use on grocery packaging, account for about 70 per cent of auto ID, according to MIRC. The scanner passes a small laser beam across the printed code and detects the distribution of bars and spaces. A computer then converts this pattern into a number for processing.

There is no universal bar code for all applications. Frost & Sullivan, the international technology market consultancy, says that more than 30 different bar codes are in use.

The so-called Universal Prodfuct Code (UPC) applies throughout the retail trade in North America. Retailers elsewhere in the world use a system derived from it, the European Article Number (EAN).

Interleaved 2 of 5 is the code favoured by the distribution industry for printing on boxes and packaging. Many libraries and hospitals use the Codabar system for respectively identifying books and blood bags.

All these codes are entirely numeric. They give each item a number — of up to 13 digits in the case of EAN.

Most industrial applications use alpha-numeric bar codes which can be used to encode any combination of letters, numbers and special characters. Code 39, originally developed for the US Department of Defence, is becoming a standard for many non-retailing applications.

Other "high density codes" have been developed to label very small items; for example in the electronics and pharmaceutical industries.

The success of bar coding has been assisted by continuous innovation both in printers to label the items and in scanners and readers to decode them.

The suppliers of retail goods increasingly include a bar code on the outside of each item or its wrapping or packaging. This is universal practice in the supermarket and grocery sectors and becoming so in book and magazine publishing.

Off-site and commercial bar code printing is too inflexible for many industrial applications. These require labels to be printed on site as required.

A wide range of printing processes have been adapted for the rapid and inexpensive production of bar codes.

Dot matrix printers are generally fastest and cheapest, but others are available for special purposes or when higher quality labels are required, including impact, ink jet, thermal, electro-static and laser printers.

Increasingly, bar code printers are combined with automatic labelling machines — or even with laminators to produce self-adhesive labels encapsulated in a clear protective coating.

Bar code readers are steadily becoming smaller, lighter, more powerful and more durable. A new generation of portable scanners, linked to powerful hand-held computers, is extending auto ID to new applications.

At the same time, fixed scanners are being developed to read labels at greater distances and faster speeds — up to 400 scans per second while making fewer than one error in a million scans.

Manufacturing offers the greatest scope for growth in bar coding.

A survey by Frost & Sullivan last year showed that less than 5 per cent of potential applications in US factories had converted to bar codes.

Bar coding provides the "eyes" for an industrial computing system.

It tells the computer the location of everything in the factory at any moment and therefore makes it far easier to schedule the flow of materials.

Installation of a bar code system can cut a factory's investment in stock by as much as half, according to Frost & Sullivan.

Optical character recognition (OCR), another widely-used auto ID technique, also depends on printed symbols. Here the scanner converts letters and numbers into computer code.

An obvious advantage of OCR is that the symbols can also be read by human beings, while a bar code only makes sense to a machine reader. For this reason the world's postal services, led by the US Post Office, are investing heavily in OCR equipment.

However, even when OCR is restricted to a single specialised font, it is still slower and less accurate than bar coding and it cannot be read at a distance. The non-food retail industry is therefore tending to move from OCR to bar codes.

Document image scanners, which translate printed text to computer code, are a fast-growing new application of OCR. But whether this counts as auto ID is debatable.

The most familiar non-optical technique for auto ID is the magnetic stripe applied to credit cards and other plastic cards used for personal identification and financial transactions. A magnetic stripe can store more information than a bar code and can easily be rewritten with new data, but it cannot be read at a distance and cannot be printed so cheaply.

Far larger amounts of data can be stored on "smart cards" with embedded computer chips.

For automatic identification at greater distances or in harsher environments than bar codes can cope with, radio frequency (RF) tags come into their own. These tags, which may be as small as a grain of rice, are embedded within the product — if necessary beneath a layer of protective material.

They contain a transponder, a tiny receiver/transmitter which sends out identifying data when it is activated by the system's interrogating antenna.

RF tags continue to operate in dirty industrial conditions and have even been designed for vehicle manufacturers to survive hours of exposure to temperatures above 200C in paint ovens.

Typically, they can be read at a distance of up to one metre from the antenna and do not need a direct line of site.

Outside industry, RF is used for identifying moving vehicles to speed up traffic flow at high security installations and car parks. Automatic road tolls are another application which allows tagged vehicles to pass without stopping to pay. The toll is electronically collected from drivers' accounts.

RF tags are also used for tagging animals and people. They identify cows or pigs in automatic farm feeding systems, for example.

The European Commission is sponsoring a futuristic research project, with industrial and academic participants in the UK, Germany and Belgium, to develop an RF tag-sensor which can be injected into farm animals to monitor their health.

The aim of the Animal Monitoring and Identification European System (AMIES) is to monitor animal health through indicators such as body temperature and blood pressure.

The resulting technology will be used to manage farms more efficiently and could be used to enforce animal welfare legislation, particularly when animals are transported across EC borders.

When it comes to tagging people, especially prisoners or football spectators, civil liberties issues come into play. But RF tagging of mentally handicapped and confused geriatric patients is already widespread in the US.

The Patient Wandering System enables patients to move around an institution with relative freedom. It removes the need for locked doors.

Nurses electronically monitor patients' movements and can keep them away from busy roads and other hazards when necessary.

Health care applications are rapidly taking a larger share of the world auto ID market. Their share of the world market is growing as fast as other sectors of the auto ID industry at about 25 per cent a year.

Bar codes are most used, but there is growing interest in the use of smart cards and optical storage cards for recording medical information about patients.

Louise Kehoe on the world-leading market

The US forges on

THE US market for automatic identification equipment is still booming, with annual market growth for the next four years projected at about 20 per cent.

According to the trade group AIM US, sales of auto ID equipment have grown from $660m in 1986 to more than $3bn in 1989. Industry analysts forecast that world-leading market may reach a total of $6.7bn by 1994.

More than 450 US companies are active in the industry. Many are small, private firms with sales of less than $10m, offering specialised product lines for specific technologies and applications.

The ubiquitous bar code is the primary mechanism for auto ID of grocery products, automobile parts and even railway cars as well as documents such as mail and cheques.

The full potential of auto ID lies in the ability to move data collected by bar code readers or other data collection systems from one location to another.

Electronic Data Interchange (EDI), or computer-to-computer transmission of data collected *by auto ID systems is the trend* of the 90s.

One of the most extensive applications of EDI is Ford Motor Company's Common Manufacturing Management System (CMMS) which links 57 of Ford's manufacturing facilities with more than 3000 of their suppliers.

In the retail industry, bar coding is moving beyond its established role in food product labelling to include hard goods, textiles, general merchandise and apparel.

Through the efforts of the Voluntary Inter-industry Communications Standards committee, a voluntary standard has been developed for item *identification at point of sale* and for electronically communicating information through EDI systems.

EDI systems allow retailers to electronically transmit purchase orders, receive shipping notices and invoices and maintain inventories.

According to a recent survey conducted by Ernst and Young, the business consulting group, the majority of US retailers are now committed to using bar code *tags* on merchandise.

Several kinds of EDI systems are used in different industries. But most of them employ three basic business documents: electronic purchase orders, electronic invoices and electronic packing slips.

The primary use of EDI systems is in sending and *receiving purchase orders.* Pre-ticketed products are scanned at the point of sale.

Bar coding holds a significant price advantage over other systems

This information is then down-loaded into the retailers purchase order/inventory management system and recorders are electronically generated — often on a daily basis.

The biggest expansion of EDI networks in the US is expected to be among clothing retailers.

This has a flow-on effect among textile and garment manufacturers which supply them and the transportation companies which move products to distribution centres and stores.

Although there are alternatives to bar coding for auto ID of retail products, the future of bar coding seems relatively secure, according to AIM US.

The introduction of new standards and scanning equipment have helped to expand the use of bar coding beyond its original role of identifying stock in *supermarkets.*

It has become a technology widely used for tracking goods and documents in a broad spectrum of industries.

Developing markets include airlines and other transportation services, corporate mail rooms and manufacturing plants.

The manufacturing and industrial sector represents the highest growth market for auto ID equipment, with sales expected to grow for the next five years at an annual rate of 20 per cent.

One of the leading manufacturing sectors taking advantage of bar codes is the US automotive industry.

US car makers require their parts and materials suppliers to use bar coded containers.

Bar codes are also a requirement on parts that are safety related *such as* brakes, transmissions and engines.

This allows the manufacturer to exactly trace other cars with the potentially faulty part.

Bar coding holds a significant price advantage over other systems, such as radio frequency (RF) identification, which ranges in price from $3 to $5 per tag.

In contrast, bar code labels cost only a fraction of a cent.

Optical character recognition (OCR), a rival technology, is making a comeback, especially in remittance tracking.

But OCR codes must be read *close up and cannot be used if* damaged. Even damaged bar codes can be read, AND from a distance, making bar coding more flexible.

In some applications, however, RF identification is gaining ground.

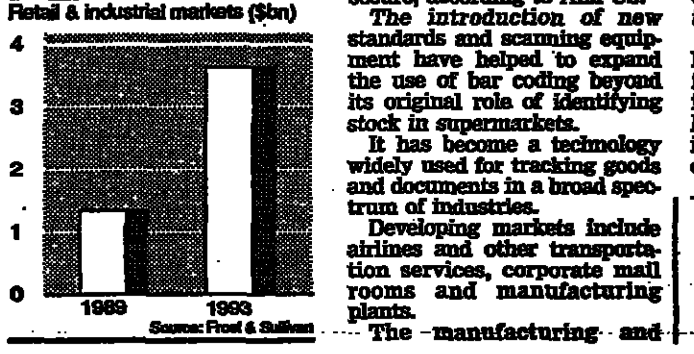
The US rail authority is testing auto ID systems that use radio-triggered devices, known as transponders. These are mounted on the sides of freight cars. When a transponder is activated by a low-frequency radio signal broadcast from a transmitter beside the railway track, the device responds by emitting identifying information.

Ultimately, however, current methods of auto ID may be usurped by computers capable of reading even handwritten *text.*

International Business Machines recently introduced, for example, a cheque-processing system that can read most *handwritten cheques, eliminating* the need for manual entry of each cheque amount.

Bar code data collection in the US

Retail & industrial markets ($bn)



Source: Frost & Sullivan

Auto ID in action

Royal Mail engineers (above) have used optical character recognition (OCR) to create automatic sorting systems which convert written addresses to computer codes. Postal services around the world are investing in such systems to speed up deliveries.

On-the-spot issue of airline tickets is a growing application for auto ID in busy airports of the world. Nixdorf's automatic ticketing centre (right) gives passengers *the convenience of self-service* reservation and payment. Airlines around the world are introducing a ticketing system based on magnetic stripe technology which will speed up boarding and passenger traffic at airports.

Paul Abrahams on electronic tagging in shops

To catch a thief

SUMMER sales are not all good news for retailers when a fair proportion of shoppers leave stores without paying.

Shrinkage, the retailer's term for shoplifting, together with staff theft, *clerical* errors and other unexplained loss of stock, is increasing.

Touche Ross, the London accounting firm, estimates that shrinkage cost UK retailers £1.8bn in 1988. The figure may have topped £2bn last year. But that figure is small compared with the US, where some estimates put shrinkage at $50bn a year.

Retailing companies are notorious for refusing to give details about such losses.

But in 1986, Marks & Spencer, the UK retail group, admitted an annual loss of £52m caused by shrinkage.

This sort of loss comes straight off the bottom line — at a time when many retailers are suffering tightening margins caused by the economic squeeze.

However, a number of companies are now offering electronic article surveillance (EAS) *equipment,* based on automatic identification technology, to protect their goods.

They believe this investment will allow retailers to reduce customer theft and have a significant impact on profits.

"If a retailer has margins of 5 per cent and is losing 2.5 per cent of its stock through shrinkage, electronic article surveillance can halve the retailer's losses, and, by doing so, add 20 per cent to the bottom line," claims Mr Ralph Kanter, of Actron, the EAS company, which is part of the ADT group, based in London.

"The problem," says Mr Kanter, "is that companies are split over whether to spend money improving their margins by investing in EAS technology or by investing in advertising in an effort to increase turnover."

EAS equipment is based on three main computing technologies: radio frequency (RF), microwave and electro-magnetic.

In the US, RF systems have proved the most popular, winning about 50 per cent of a market worth about $130m in 1987.

A RF system is made up of two elements. The first is an electronic tag, comprising a *coil and a capacitor, both of* which are made of aluminium.

The second part is made up of a series of detectors, placed at check-outs at exit points.

These contain transmitters which emit a signal at a specific frequency. This energises the coil in the tag if it comes within range.

Once the coil is energised, the capacitor in the tag sends a signal back to the detector, which then activates the alarm.

When a genuine sale is made, the tag is "made safe" by the shop assistant, who will either physically remove it, using a special key, or by de-activating the tag.

False alarms was one of the reasons why the market didn't take off as it might have done

De-activation is achieved by passing the tag near a transmitter emitting a *strong* signal at a particular frequency. The *signal is strong enough to* change the structure of the aluminium coil.

This changes the frequency at which the coil reacts to the signal. When the coil no longer responds to the transmitter, the tag is de-activated.

The tags themselves are either hard, placed in a plastic container, or soft.

The soft tags are integrated into paper labels which can be printed with bar codes and used at check-outs for pricing as well as security.

Tagging of goods has proved more popular with continental stores than those in the UK.

For example, Fnac, the French brown goods and recorded music retailer, says it would no longer consider opening a store without a system.

Some *supermarket chains* in France have spent millions of francs protecting as many as 60 check-outs. In spite of early reluctance in the UK, sales are beginning to pick up, says Mr Ken Austin, managing director of Gnogo UK, a division of the US security company.

He says department stores and video shops are beginning to install systems.

The market for EAS systems in the past has been limited to clothing stores.

Mr Austin also points to two leading do-it-yourself chains, B&Q and Texas Homestores, which have recently purchased surveillance systems.

He says this is probably a reflection of the need to combat profits affected by the depressed housing market and general downturn in the economy. B&Q purchased an Esselte-Meto system and Texas acquired Securitag equipment.

Manufacturers admit that one of the reasons why the market did not take off as quickly as it might have done was the problem caused by false alarms.

However, they argue that most of these have been solved by improving the quality of the tags and designing software into the alarms which reads background electronic interference from escalators, conveyor belts and cash registers. (This *kind of noise used to accidentally* set off the machines).

Mr Austin admits that EAS systems are not foolproof and there are always methods of getting around such systems.

Security managers and equipment manufacturers need to always be vigilant, he says.

"Every time you think you have a problem licked, the shoplifter finds a way of nicking the stuff," he says.

The most common method is to take the tags off the items before passing through the exit. Mr Austin says that one chain of department stores discovered that shoplifters were detaching hard plastic tags from garments while they were in the store's lavatories.

When the lavatories became blocked with tags, the retailer was forced to install EAS alarms on the main door to the conveniences.

Chris Perry, in Tokyo, looks at the scene in Japan

Bar code key to survival

THE HIGH cost of bar coding systems in Japan often means only well-heeled companies take advantage of auto ID technology. But the exciting range of applications and cost savings involved augurs well for wider use.

Bar coding offers retailers and manufacturers the best *chance of survival through* quick data processing and entry.

According to data from the Distribution Code Centre (DCC Japan), which promotes bar code numbering standards for retailers, the number of stores using point of sale (POS) systems with the national standard Japan Article Number (JAN) is doubling each year.

In spring last year, 42,880 Japanese stores had installed almost 120,000 fixed and hand-held scanner POS units.

Mr Yasuo Horikawa, director of overseas purchasing for Ewig Corporation, Japan's biggest importer and distributor of foreign auto ID equipment, estimates the domestic bar code market — POS terminals, scanners, recorders and printers, excluding computer systems — is worth about Y50bn. He says the foreign share, mainly US, is about 10 per cent.

While convenience stores *use almost a third of the 62,000* POS hand-held scanners (mainly CCD touch type), DCC says use among specialty stores for medicines and cosmetics has increased five times in just a year — to about a quarter of POS sales to specialty stores.

Big retailers are the main customers for POS systems but more simple and less expensive versions are paving the way *for smaller operators.*

Mr Horikawa says 7-Eleven Japan is one of the "new wave" of large retailers to take advantage of the technology.

This year, the convenience store chain plans to upgrade its POS system with a terminal controller combined with a graphic personal computer, boosting the capacity of the *system almost tenfold.*

A company spokesman says more user-friendly software will be installed for its 1,600 employees to simplify placing orders *for* stock. The POS system upgrading will cost the company about Y10bn.

Industry sources estimate the company pays about Y1.5m for its stand-alone POS systems; a price that includes computer capability for data processing. In addition, some 7-Eleven Japan franchises use a POS *terminal* (register and scanner) that cost about Y700,000, along with a terminal controller (controls several POS systems) costing about Y10m.

The POS upgrading coincides with another strategic move by 7-Eleven. This summer bar coding will help the 3,865-store chain launch a joint venture with a US-based direct mail catalogue sales operation *called Shop America Ltd. The* venture will enable the hordes of young, bargain-hungry customers in Japan to buy a wide range of foreign-made goods, *direct from the US at* any 7-Eleven check-out counter.

An order from a Shop American "member" in Japan gets relayed through a real-time international VAN system to the US. Deliveries are promised in 10 to 12 days.

POS systems are not the only way bar coding is revolutionising the way companies operate. Fujitsu, the Japanese computer maker, uses bar coding to strive for 100 per cent quality and flawless timing during the manufacturing of complex printed circuit boards.

"The real value of the system is not the hardware, but in *the engineering and design.* Any company can set up a system to read bar codes, but to break a time barrier is the problem," a Fujitsu spokesman says. Bar coding *devices* provide the link between robots and quality control; "otherwise, you need humans to check the specifications and design," he says.

The benefits of point of production (POP) and POS bar coding systems are the same.

Mr Thomas Zengage, a director of the management consulting firm of IBI Inc, Tokyo, says bar coding reduces system costs and increases functionality, including expansion of operations through many points in a central information base.

In the case of 7-Eleven Japan, data shows a dramatic decline in stock on the shelf corresponding with a rise in average daily sales and gross *revenue since 1982 when the* chain began installing bar code POS systems.

By 1989, the value of merchandise at the average store *had fallen by more than Y1m* to less than Y5m; daily sales stood at Y564,000, compared with Y482,000 per store in 1982; and gross profits to sales were almost 2 per cent higher at 28.6 per cent.

Eastern Europe has not yet joined the rush started in the west, says **Don Ryder**

Europe market nears $2.5bn

THE MARKET for all automatic identification products and services in Europe is expected to grow by 16 per cent in 1990. In revenue terms, the total market this year is expected to be worth just under \$2.5bn.

Excluding the market for packaging of bar-coded products from these figures, a 1990 growth rate of more than 20 per cent is projected, with some sectors growing by 30 per cent or more.

Products and services based on bar code technology, including sales of scanners and printers, bar-coded forms, labels, tags and other kinds of bar-coded packaging, accounted for 71 per cent of the 1989 market.

At present, for all practical purposes, the European market means western Europe.

Less than 1 per cent of all European revenues are obtained in the eastern European countries. However, the interest of suppliers in staking a claim in the eastern European marketplace suggests that this proportion will steadily grow. But, as yet, expected growth is based as much on wishful thinking as solid fact.

The European market can be divided according to the kind of auto ID technology involved. Bar code systems take the largest slice.

They have been adapted beyond the retail sector to handle a wide range of functions.

For example, in warehousing – for dispatching and receiving goods and stock control – and in the factory to monitor flow of goods and to label components of many kinds for quality control purposes.

It is used in the medical sector for blood bank management and stock control of pharmaceutical products and by government departments for locating documents and files and for managing equipment and vehicles.

It can be used even when an item has a small surface area or is subject to harsh environments.

Radio frequency products, a fast-growing sector of the market in Europe, is an important development. They are based on a tag which emits a unique radio signal when it enters the sensing field of an RF scanner.

While a clear line of sight between scanner and label is needed for bar codes, RF tags can be read around corners and even in the dark.

An RF tag can store more data than a bar code since the tag can have a RAM memory of 1K or more.

The bar code, no matter how ingenious the coding pattern, has more modest limits, but is a cheaper system.

These advantages mean that RF products and services market, which accounts for 9 per cent of the total European market, is growing at 39 per cent a year.

Optical character recognition (OCR) technology is more complex than bar code scanning and printing, and generally has only specialised applications in Europe.

OCR's main asset is its accessibility to customers: people can read the symbol as can the scanner.

But OCR's share of the European auto ID market is dwindling with its growth set at about 3 per cent a year.

Finance is the one area of the market OCR has not been superseded.

The Giro system used in several continental countries is based on OCR, as are the cheque encoding/reading/sorting systems. In the UK, a number of OCR systems have been bought to process payment forms for the community charge.

Growth in magnetic ink character recognition (MICR) technology is also restricted to special applications.

These mainly occur in banking where account identification and bank sort codes on cheques are encoded with a special ink containing tiny magnetised particles. These codes can be automatically read when processed at speed by readers or sorters.

Card-based technologies are an important part of the European scene

The MICR market in Europe is decreasing at about 1 per cent a year as bankers try to reduce the amount of paper-based transactions.

This decline may temporarily be halted, however, with the introduction of cheque truncation in some countries, including the UK, and the need for more equipment in bank branches.

Card-based technologies are an important part of the European auto ID scene. Most credit cards have a two or three-track magnetically-encoded stripe which includes information on the type of card, the user, etc.

Card production accounts for more revenue than does card embossing and card-reading equipment. The smart card, with embedded microchip, is a potential challenge to the dominance of magnetic stripe technology. Apart from France, however, its emergence has been slow.

Part of the problem is the expense of producing smart cards and converting the millions of magnetic stripe cards in circulation. Applications for the smart card are diverse with its memory and processing capabilities.

Imaging and voice recognition are among the range of other auto ID technologies which are yet to make a large impact on the European market. But the main obstacle for marketing inroads is customer education – to make more companies aware of the wide range of auto ID available for any number of applications.

The author is managing director of Clarendon Reports, London: the consulting company which produced the 1986, 1988 and 1990 AIM Europe reviews of the auto ID market

Auto ID market, Europe

Source: Clarendon Reports


The Giro credit card system uses OCR technology


A data capture terminal introduced by Visa International

Data capture devices are the key to portable auto ID

An industry on the move

MUCH IS heard about portable computers – whether hand-held, lap-top or transportable. But what about computing plus auto ID on the move?

The options for mobile data capture and mobile computing are varied. In the first place, there are the increasingly miniaturised portable computers such as those from Epson, Husky, Psion and Toshiba.

Peripherals, such as bar code scanner or magnetic stripe card reader, can be attached to most devices in this family, depending on model type. These systems are generically more and more like small personal computers.

Then there are the ever more powerful data entry systems supplied by US manufacturers such as Symbol MSI, Telxon, Norand and others with a long history in the auto ID business. Infos of Italy and Hoeft and Wessel of West Germany are among European companies involved in this market.

Early devices from these suppliers had very limited processing capability, but were used as temporary data entry/data storage units. These units were sometimes connected to a telephone modem for batch data transmission to a large host computer. Now these units encompass a wide range of internal processing power and the differences between these devices and the small hand-held computer are becoming increasingly blurred.

The integration of scanning capability into these products has another advantage. A compact unit the size of the palm of a hand, weighing 2kg or less, can scan, process and transmit data as required.

Displays are available from 1-25 lines by 80 characters or more. The later versions of MS/Dos and Basic are available on many models together with a number of widely-used software packages such as Lotus 1-2-3 or Dbase.

These mobile data capture systems cater for a wide range of auto ID applications.

For example, the transportation sector can use it to price and process in-flight duty free sales. The retail sector, can find it cost effective for electronic point of sale applications in a mobile environment such as route sales or in a fixed environment next to a standard cash till.

Maternity care and out-patient data can be scanned to help decision-making with appointments and patient care. In manufacturing, time recording and work scheduling can be carried out without recourse to a bigger host computer.

The incorporation of radio frequency (RF) data transmission capability into these systems adds other benefits. It not only allows for scanning and processing of data and symbols, but also transmission of results to another RF data capture system or to a larger main frame computer without need for cabling, wiring, clear line of sight or recourse to a phone modem.

RF tends to be most justified when real time decision-making is critical. On-line goods receiving or dispatch, on-line price verification and stock control in a high turnover environment such as a superstore, or production automation are examples.

Data can be scanned and decisions relating to warehousing, dispatch, delivery and stock control operations can be made on the spot, even when other sectors, including government, military or medical, are involved. Production automation is another non-retail sector example where fast decision-making can pay off.

A number of mobile data capture/processing devices cater for specific purposes. For example, restaurants can use portable order-taking devices. These allow waiters to give RF orders to the kitchen and allow for higher table throughput with more rapid computing of bills. Remanco, the specialist restaurant supplier, has installed these systems in Europe.

The increased miniaturisation of components, with increased introduction of RF capability, has allowed for the effective combination of smart card, RF tag and display panel on a plastic card with credit card dimensions.

With a flat, touch-sensitive panel on the fact of the card to serve as a keyboard, a new world of application possibilities has opened up.

The credit card holder of the future will be able to display his or her bank balance by tapping in an instruction on the front of the card, or even pay a toll charge without stopping the car. Company cards will not only the identification of the holder but also automatically process a transaction.

The Austrian-based company Elis has developed a multi-purpose card system which includes health care, ski lifts, equipment maintenance and access control. It is also a standard credit card.

In more general terms, the long-term potential of portable data capture will belong to those suppliers who can offer scanning, RF and an open computing architecture with industry standard software – all integrated in a hand-held unit.

Don Ryder

Magnetic stripe technology is set to revolutionise airline ticket handling and sales, writes **Paul Abrahams**

Automatic ticketing machines prepare for take-off

A REVOLUTION is underway in airline ticketing.

Airlines are planning to introduce a new form of magnetic stripe ticketing which will revolutionise the way tickets are issued and checked. It could also radically restructure the travel agency business.

A number of European airlines are running trial projects using the new ticketing system which is called Advanced Ticketing and Boarding pass (ATB).

Swissair has a pilot scheme at Basle airport, while Lufthansa and British Airways are operating similar equipment.

Air France plans to install ATB systems at a quarter of its stations by 1991, including all those in France, most in Europe, the US and Far East.

ATB is a combined ticket and boarding pass with data stored on a magnetic stripe which can be read or printed out. It could eventually replace the separate flight coupons and boarding passes now used.

When the ticket is issued, details of the passenger's name, flight number and seat class are entered on the magnetic stripe.

When the passenger checks in, the details are automatically read from the magnetic stripe. This is done manually at present.

Additional information about baggage and boarding gates is also printed onto the ticket and, at the gate, the ticket is automatically read which which greatly improves boarding time.

The ATB system offers airlines a number of significant advantages, particularly in terms of improved service and for better management through more reliable and up-to-date operational information.

A number of leading European carriers believe that ATB should quickly be able to pay for itself through improved productivity. Time-savings should also improve flight punctuality.

Punctuality is important, not only because late flights irritate passengers, but also because it costs money.

British Airways estimates that it costs £1,000 for every minute a Boeing 747 is delayed. The airline predicts that it will be able to board a full Boeing 747 in 15 to 20 minutes using ATB – a 30 to 50 per cent improvement on manual boarding. And it can do this with 100 per cent accuracy.

The information provided by the magnetic stripe should also allow the airline to identify missing passengers, ensuring that the aircraft is not delayed because their baggage is on the flight, and they are not.

The Advanced Ticketing and Boarding pass (ATB) system could help London airports deal with the expected doubling of passengers from 60m in 1989 to 140m-160m in 2005

In an average month in 1989, check-in and boarding discrepancies on BA flights at Heathrow Terminal Four alone totalled 1,000 minutes; which at £1,000 a minute quickly adds up.

The airlines also hope to be able to make some staff savings as a result of ATB.

Swissair, through trials at Zurich airport, estimates that savings would be in the order of \$3.6m a year, while the cost of implementation would be \$6.3m. Even if the airline decided to maintain staff, ATB would release them to improve passenger service.

The airline has found that passengers gain about 23 seconds on the average check-in time of 100 seconds. The saving is almost 50 per cent for passengers without baggage.

Improved flow of information for management is another area in which ATB should provide benefits. At present, each ticket coupon is sent to an airline's headquarters from destinations around the world. Only then they can be processed to collect information about the price paid for each ticket.

The inefficient system now in use means it can take weeks for management to know exactly how much revenue was generate on a particular flight.

In contrast, an ATB system can immediately give the airline the name and ticket price paid by each passenger on a particular flight.

The company can quickly calculate revenue generated on a particular flight.

Such accurate and up-to-date information allows an airline to more efficiently target its marketing efforts towards frequent-flyer programmes. It would also improve their load factors.

Another advantage is that the new ATB tickets are more difficult to forge so ticket fraud can be reduced.

ATB efficiency should allow the number of passengers around the world to grow at an annual rate of about 5.7 per cent in the next 10 years.

At the London airports, passengers numbers could double from more than 60m in 1989 to between 140m and 160m by 2005.

Airlines are starting to agree that that ATB should allow them to handle such passenger increases through terminals, mainly because of the check-in efficiency.

The airlines are also examining the opportunities for self-service purchase of tickets and check-in.

Air France plans to have pilot schemes at Terminal B or D at Charles de Gaulle Airport in Paris and London Heathrow this summer. The company says passengers without baggage will take less than 10 seconds to check in.

British Airways has a number of self-service ticketing machines at London, Glasgow, Edinburgh, Belfast and Manchester. It has become possible to purchase a ticket and check in within 40 seconds.

Mr John Williams, of British Airways, says that self-service ticketing has a double advantage – it allows one passenger to quickly buy a ticket, but at the same time reduces demand at the traditional sales and check-in desks.

Large travel agencies which can afford the new technology will be able to install ticket printers in the offices of major clients and gain a competitive edge through satellite ticket printing.

This will allow agencies to immediately issue tickets and to tie clients into their network.

The agencies will also be able to market other services, *including even tickets for other* means of transport, such as trains and car hire, as well as tickets for entertainment events such as the theatre.

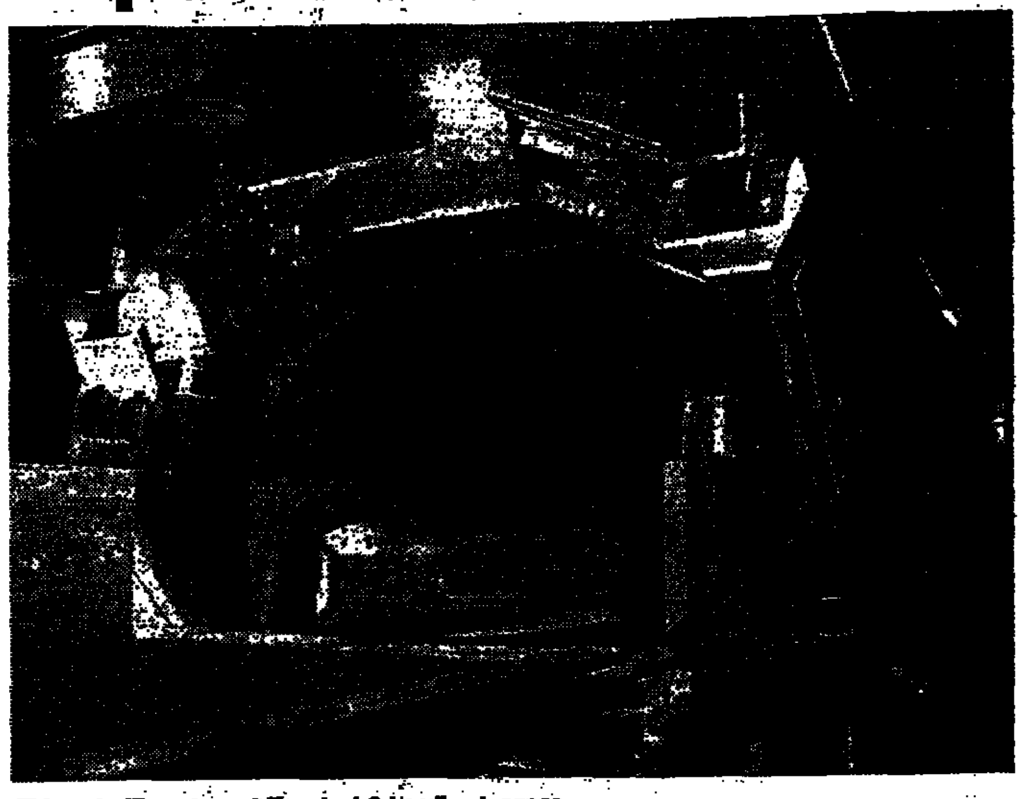
SNCF, the French national railway, has already adopted the ATB standard.

The cost of printers and readers, about \$6,000, are prohibitive to small operators.

But ATB is a practical proposition for the larger airlines, although the pay-back rate with the cost savings, revenue enhancement and additional customer service.

At Terminal Four at Heathrow, for example, there are 64 check-in desks and 18 gates, each of which will require a machine costing between \$5,000 and \$6,000.

However, it is hoped that once large production runs have been achieve, the machines may fall to about \$1,000.



This auto ID system at Terminal 3 handles luggage

Clive Cookson on developments in the health industry

Healthy computer links

HEALTH CARE applications are rapidly taking a larger share of the world auto ID market.

The Market Research Intelligence Company of the US says the sector is growing by about 25 per cent a year – in line with the overall growth rate of the auto ID industry.

It presently has an approximate world market share of 8 per cent.

Computer-readable labels and tags are being attached to medicines and medical equipment and used to monitor patients, doctors and nurses.

Bar codes are generally used, although there is growing interest in the use of smart cards and optical storage cards for recording medical information about patients.

Blood banks were the first part of the health care sector to adopt auto ID.

In 1977 the American Blood Commission introduced Codabar, a code developed by Monarch, a part of the Pitney Bowes group, as a standard for labelling blood packs. It has been adopted internationally.

The Health Industry Bar Code (HIBC) was officially adopted as an international standard for other medical supplies in 1983.

It is based on Code 39, the most widespread industrial bar code developed by Intermec, and has the advantage that it can encode letters as well as numbers.

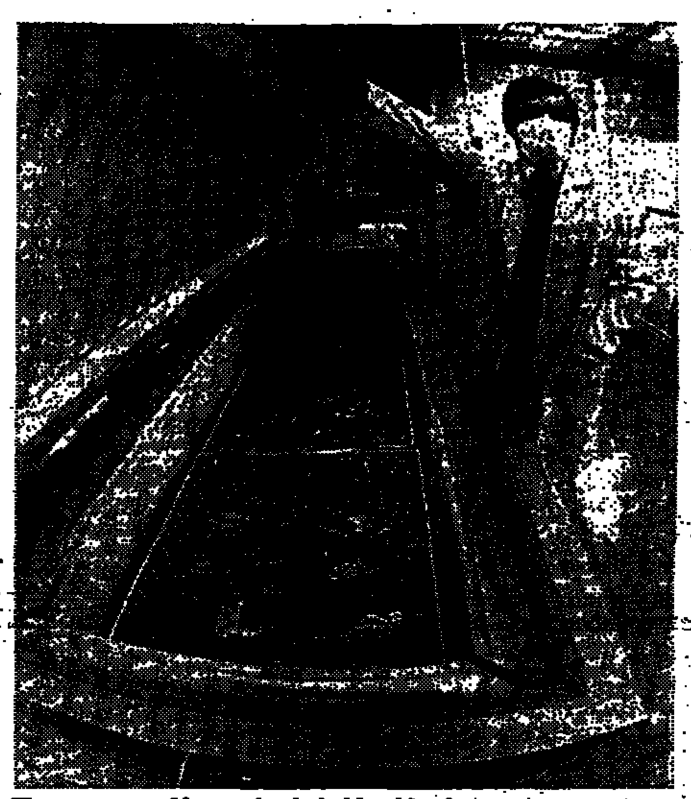
In practice, however, bar coding in health care is far from standardised, despite the efforts of the HIBC Council.

Swedish hospitals changed to the Interleaved 2 of 5 code when it was found that the patient's identity number took up too much space on standard forms and on laboratory test tubes when HIBC was used.

The European Article Numbering (EAN) code, the retailing standard, is used by the European pharmaceutical industry to label packs of drugs and medicines.

But standardisation is becoming an increasingly important issue for auto ID in health care, as individual hospitals' computers are linked into national and international computer networks to exchange patient information and order medical supplies.

Electronic data interchange (EDI) requires participants to work to a common standard.



The accuracy of bar codes help blood banks

A printed bar code can only hold a small amount of identifying information.

Large amounts of data storage require magnetic, electronic or optical media.

Smart cards – plastic cards the same size and thickness as credit cards but containing a microprocessor and memory chip – are the leading contender for storing patient information.

Optical storage cards, on which digital data is written and read with a laser beam, are an alternative; they can hold more than two megabytes (millions of characters) of data on a single card.

Optical and smart card technology make it possible for a patient to carry a comprehensive record of personal medical details on a small card.

Trials are in progress in several countries, both in general practice and in hospitals.

In the UK, the Department of Health has issued Care Cards to 8,500 people in Exmouth, Devon. The trial includes the entire patient list of one general practice, all children and elderly patients in a second practice and all diabetics in the area. The cards, made by Bull of France, hold details of the patient's medical history and drugs being prescribed.

Each patient can enter a personal identity number (PIN) on a terminal in the GP's surgery to read details of the card.

A doctor or health worker requires a PIN and a key card which specifically confines access to information of direct professional concern. This protects, as far as possible, the confidentiality of patient records.

An important objective of the Devon trial is to see how much the Care Cards will improve the efficiency with which information is transferred between GPs, hospitals and pharmacists.

Although the European Commission is keen to introduce a health card, based on a smart card or optical card, not all health technology experts in Europe agree that this is the best approach.

Mr Peter van Riel, medical administration manager at Catharina Hospital in Eindhoven, the Netherlands, told the Scan-Tech Europe conference that patients should not carry their medical records on a smart card. People should instead have a bar-coded identity card which "simply works as a key to any computer system you want."

"When a patient forgets his smart card, the doctor lacks essential information," Mr van Riel said. "Who is responsible for seeing that all information is added to the smart card and that the information is up to date?" Unauthorised use of patient data is easier with smart cards, he said, than when the information is held on a proper computer.

Whether or not smart cards are widely accepted and adopted, there is no doubt that auto ID as a whole will be vital for the efficient computerisation of health care.

Different light on executive pay in Europe

By Michael Dixon

ANYONE doubting Oscar Wilde's claim that "the truth is rarely pure, and never simple" need only look at executive-pay surveys.

For instance, just a week ago I reported the Wyatt consultancy's finding that the Spanish were now hard on the heels of the Swiss in Europe's real pay stakes, having overtaken the French and West Germans within the past 18 months. *Today we* have another survey which shoves them back down the field again.

The contradictory study comes from the European Remuneration Network, a consortium of management consultancies operating in 10 countries. (Readers wishing to know more about it should contact Tom Raftery of ERN's British representative, P-E International, at Park House, Wick Rd, Egham, Surrey TW20 0HW; telephone 0784 434411, fax 0784 437828.)

The main reason why the surveys disagree lies in the samples of companies from which they draw their data. While the 1,158 consulted by Wyatt vary in activity, a lot *are subsidiaries of worldwide* groups. The consortium's sample of 3,586 includes far more smaller concerns.

Hence ERN's study can supply rough cross-Europe indicators of pay in small and medium companies, such as the figures alongside. They compare the salaries and total cash pay including bonuses of senior managers in two size-bands of company – those with up to 100 employees, and those with between 250 and 1,000.

The executives covered are managing directors ("M.D"), and the heads of sales and marketing, finance, *and personnel. First come* the lower-quartile figures referring to the executive a quarter of the way up from the foot of a ranking of all in the same job category and country, which give only gross salaries and total cash pay in sterling at the London closing rates of May 1.

The median figures, which refer to the *manager* midway in the ranking, also indicate buying power. It is calculated by deducting the country's standard tax and so on for a married person with two children, then adjusting the result for price differences excluding housing costs.

Then come the salaries and total cash pay of the upper-quartile executive a quarter way down from the top of the ranking.

Where each country stands in the table depends on the buying power of the median M.D. of companies with 250-1,000 employees.

Country: Position	*Organisations employing up to 100 people:* Lower quartile Basic salary £	Lower quartile Total cash pay £	Median Basic salary £	Median Total cash pay £	Median Buying power £	Upper quartile Basic salary £	Upper quartile Total cash pay £	*Organisations employing from 250 to 1,000:* Lower quartile Basic salary £	Lower quartile Total cash pay £	Median Basic salary £	Median Total cash pay £	Median Buying power £	Upper quartile Basic salary £	Upper quartile Total cash pay £
France: M.D.	58,508	69,624	66,521	78,160	50,207	76,717	91,293	65,847	78,358	74,772	88,979	58,512	86,129	102,493
Sales & mktg head	43,851	51,744	52,457	61,935	44,320	57,720	68,109	48,396	57,106	57,813	68,219	48,406	63,518	74,951
Finance head	38,489	43,492	40,770	46,070	34,075	49,073	55,453	45,282	51,169	47,916	54,145	39,087	57,505	64,981
Personnel head	30,786	35,086	40,311	45,955	33,990	45,896	52,321	35,449	40,412	46,215	52,585	38,148	52,527	59,881
Switzerland: M.D.	47,899	53,361	58,824	66,387	42,167	70,588	76,471	69,328	76,681	85,924	97,899	57,293	95,378	108,824
Sales & mktg head	37,815	39,916	45,378	50,000	33,836	52,941	56,303	54,202	58,193	57,983	65,807	42,375	67,017	73,529
Finance head	39,916	39,916	41,597	42,857	28,959	45,378	47,479	48,319	49,580	53,571	56,303	37,052	63,445	66,176
Personnel head	31,513	35,714	38,655	42,437	28,721	44,538	45,378	39,916	42,017	49,790	56,092	36,943	55,042	59,244
W. Germany: M.D.	57,039	63,215	69,381	82,470	48,458	73,751	86,830	65,758	79,564	79,584	92,280	62,731	91,553	107,902
Sales & Mktg head	32,334	34,151	37,057	38,510	28,038	39,237	42,870	43,960	48,320	48,773	53,769	34,514	59,582	64,305
Finance head	27,248	29,064	39,237	39,600	26,775	41,417	42,507	39,964	42,144	46,140	47,583	31,178	53,406	55,586
Personnel head	26,158	26,521	32,698	33,061	22,709	34,877	35,604	39,964	42,870	44,687	48,140	30,384	46,503	49,410
Spain: M.D.	36,015	44,106	49,383	56,753	34,919	62,578	69,063	56,672	68,379	75,058	84,879	52,823	91,200	98,108
Sales & mktg head	24,452	27,503	34,573	37,722	26,687	44,141	47,964	28,587	36,257	51,794	55,975	37,774	59,089	74,250
Finance head	22,984	26,315	29,273	32,670	23,062	36,355	39,314	29,913	32,987	50,311	54,095	36,973	58,081	61,770
Personnel head	21,730	22,209	25,531	28,241	20,396	29,418	30,525	36,032	39,579	48,589	49,141	34,751	49,706	51,742
Italy: M.D.	37,582	41,066	40,828	48,665	30,258	46,544	50,887	62,512	74,867	69,456	82,686	49,718	75,707	90,475
Personnel head	31,728	37,772	34,117	40,615	26,162	36,846	43,864	44,032	46,679	48,387	57,803	35,184	52,742	63,011
Sales & mktg head	32,623	39,002	33,963	40,456	26,659	35,342	41,909	46,375	56,045	47,810	56,916	34,764	48,766	57,788
Finance head	35,559	41,882	37,829	48,605	30,364	40,855	48,637	41,953	50,344	44,161	52,573	32,462	45,486	53,832
UK: M.D.	24,395	29,700	31,855	37,133	26,558	39,580	45,400	45,000	51,581	52,416	57,000	38,478	57,293	69,391
Sales & mktg head	22,206	25,012	24,788	27,033	20,498	25,821	32,480	30,277	32,123	34,000	35,503	25,580	37,230	41,712
Finance head	20,816	22,113.	23,895	28,287	20,050	29,250	32,094	28,000	30,000	32,000	34,740	24,960	37,428	41,240
Personnel head	–	–	–	–	–	–	–	20,000	21,293	24,675	25,557	19,612	29,824	33,129
Netherlands: M.D.	41,519	45,557	48,465	59,128	29,111	58,704	74,152	51,696	60,420	59,451	72,375	34,784	71,082	92,084
Sales & mktg head	31,987	37,480	39,418	45,294	23,161	44,588	63,974	40,065	48,142	48,627	59,935	29,457	67,851	78,514
Finance head	31,864	35,864	38,672	44,426	22,815	49,758	59,128	41,680	47,334	48,465	55,735	27,658	52,686	70,436
Personnel head	36,511	39,742	37,903	42,849	22,058	49,111	53,958	32,795	41,357	41,357	46,898	23,783	48,465	57,351
Ireland: M.D.	27,910	34,017	34,593	39,268	22,379	42,884	50,919	44,388	47,038	51,632	60,520	31,808	60,978	68,095
Finance head	21,118	21,676	25,728	28,576	16,786	28,617	32,050	31,174	35,558	37,019	38,403	21,885	42,962	49,844
Personnel head	–	–	24,452	30,261	18,530	–	–	30,439	34,096	35,385	38,160	21,747	40,916	46,761
Sales & mktg head	19,537	20,949	22,893	28,393	16,436	27,277	32,105	30,442	32,093	35,314	36,602	21,195	38,480	43,892
Denmark: M.D.	55,462	60,243	63,112	68,849	25,116	76,499	86,082	70,762	73,153	80,324	87,496	30,093	98,015	109,012
Sales & mktg head	35,381	35,381	40,162	40,162	17,461	45,900	48,768	42,075	42,553	45,900	47,812	19,554	57,375	57,853
Finance head	34,425	34,425	39,206	40,162	17,216	44,943	44,943	40,640	41,118	46,856	47,812	19,658	56,896	57,375
Personnel head	32,512	32,512	41,597	41,597	17,794	45,900	45,900	38,250	38,250	45,900	45,900	19,633	54,984	55,462

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This job is one of the most important economic development posts in Scotland.

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Under the Scottish Enterprise proposals, a 'local enterprise company' (LEC) is to be established for Glasgow. It will be the largest of the LECs in Scotland and will be a major player in the development of the Scottish economy. A Designate Board has already been appointed under the chairmanship of Sir Norman Macfarlane. With the planning stage underway and the LEC expected to become operational around January 1991, the Board wishes to appoint a Chief Executive as soon as possible.

The successful applicant will have overall responsibility for the effective integration of current Scottish Development Agency and Training Agency activities in Glasgow and the development and delivery of new programmes and projects to realise the full economic potential of the city.

An attractive, performance-related salary, consistent with the importance of the post, will be offered.

Applicants will be able to demonstrate a record of substantial achievement in management, an understanding of economic development and training and a commitment to Glasgow.

Applications, to arrive no later than Friday 8 June 1990, should be sent to Sir Norman Macfarlane, Glasgow Local Enterprise Company, 221 West George Street, Glasgow G2 2ND, quoting reference GLEC/FT on the envelope.

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For further information please contact Martin Symon 071-623 1266 or, after 8pm, 04-203 3159.

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The Structured Finance group of the International Department is responsible for analysing all asset-backed transactions in Europe. This requires excellent analysis skills in order to evaluate the collateral and proposals for new and innovative structures. The successful applicant will work closely with team members, issuers, lawyers and the arrangers. The work involves analysis and evaluation of issues and preparing presentations for rating committee for which good written and oral communication is essential.

Candidates will have several years' analysis experience which may have been gained in a bank, building society or insurance company. Individuals should have a professional qualification (eg ACIB, ACA, ACIS) and will ideally be a French speaker. Given the high profile nature of the role, applicants must be confident self-starters with the ability to represent Standard & Poor's in a professional manner.

The corporation offers an attractive remuneration package based on a generous basic salary that will entirely reflect experience.

Interested applicants should contact Ann Semple on 071-831 2000 or write enclosing a full curriculum vitae, quoting reference ATS83, to Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH.

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The bank is performance orientated and offers an excellent rewards package for strong performers, combined with the opportunity to further progress your career.

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Candidates for the analyst's role should be graduates with a minimum of 18 months' investment analysis experience gained within a similar environment, whereas Assistant Fund Manager candidates will need to have 3 years' analytical experience and must be capable of demonstrating the ability to think independently and back their own judgement. Excellent communication and presentation skills combined with a logical and numerate approach are essential. These positions offer excellent prospects for analysts wishing to progress to managing funds. Attractive remuneration packages are available for the right candidates.

Please contact Paul Wilson on 071-831 2000 or write to him, enclosing a curriculum vitae at
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MP

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Tel: 071 583 3303

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A large European Bank with an active presence in the Forward Markets is presently trading in Forwards, Forward Forwards and Forward Crosses as well as using Off Balance Sheet Products such as Financial Futures and FRA's. Candidates in their late twenties and with 3 years experience on a Forward Desk are thought to possess the necessary experience.

EXCHANGE *appointments*

For further information please contact Anthony Marshall or Veronica McPake on 071-929 2383.

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For this appointment we are particularly keen to hear from candidates in strict confidence by telephone on 071-628 0969 or alternatively in writing quoting reference ECP23343/FT when your reply will be forwarded to our client. If there are any companies to whom you do not wish your application to be sent, these should be listed in a covering letter and the envelope marked for the attention of the Security Manager: CJRA

3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ.
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You should be professionally qualified, either as a lawyer or Company Secretary, and have experience in company secretarial work in a PLC. You should be a self-starter, able to work on your own initiative and have good communication skills.

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Please send a comprehensive résumé, salary details and day-time telephone number, quoting reference number 3131, to Neil Cameron, Executive Selection.

MANAGEMENT CONSULTANTS *5th Floor, 52/54 High Holborn, London WC1V 6RL. Telephone: 071-353 7361.*

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TECHNOLOGY

David Fishlock reports on how a gas research consortium is benefiting its members

Ideas ignited to power industry

"CREATIVITY has to be cultivated – it doesn't just happen," the president of an important US technical university told a conference on technology transfer in Washington recently.

Dr Harold Raveché, a physicist who heads Stevens Institute of Technology in Hoboken, New Jersey, appealed for more research consortia in which industrial companies and universities pool resources in pre-production research. "This is a *concept whose time has come*," said Raveché, citing the Gas Research Institute in Chicago and the Electric Power Research Institute in Palo Alto (see box) as examples of how effectively research consortia could serve an industry.

"I think there's a hell of a big need in industry for co-operative research and development," agrees Dan Dreyfus, vice-president responsible for strategic planning and analysis with the Gas Research Institute (GRI). Less well known internationally than its electrical counterpart, GRI serves a more complex industry with three quite different kinds of customer: gas producers, including all the big US oil companies except Exxon; the pipeline companies which provide the national gas transmission network; and the gas distributors.

What drives more than 300 organisations to collaborate in maintaining a technology base for the natural gas industry is a common belief that without it gas must surely cease to be an important fuel, Dreyfus says. The pipeline companies and distributors collaborated from the start, in 1978. The producers joined them two years ago.

Previously the newly deregulated producers had been persistent critics of the cost allowed by regulators of the other two industry sectors to pay for R&D, until they were invited to join. They were fully represented for the first time at the latest board meeting which voted unanimously to raise the R&D budget from $175m to $190m next year. Dreyfus calls *it* "*a non-trivial achievement*" to have persuaded the petroleum industry to spend more on R&D at this time. "Their opposition was due largely to lack of appreciation of GRI."

Dreyfus joined GRI a decade ago as a research engineer who had spent the 1970s helping to manage the US government's ambitious magneto-hydro-dynamic (MHD) programme for harnessing superheated gas as a potential booster for the efficiency of electricity generation. He got out, he recalls, when he realised how difficult and costly it was going to be to squeeze another 4-5 per cent efficiency through MHD. For 10 years he has helped to manage one of the world's biggest R&D programmes devoted to natural gas.

GRI does no R&D itself. An early decision was that it would remain a more flexible programme, more responsive to industrial changes, if it had no laboratories of its own developing their own specialities.

Its 300 staff plan and manage a programme of more than 500 contracts, placed with laboratories all over the US. The biggest slice of the budget goes to end-use technologies aimed at improving the performance and efficiency of equipment that runs on natural gas.

"Like any R&D programme, it's got to be an act of faith," says Dreyfus. GRI is the only real interface between the gas industry and the makers of gas-using equipment, even though these manufacturers are not members and (unlike their electrical counterparts) do little R&D themselves.

Analytical work in the production of low-cost gas from coal

Vehicles fuelled by compressed natural gas afford a particularly attractive target, especially for large fleets of heavy-duty vehicles such as buses, vans and delivery trucks, all threatened by tougher US legislation on emissions control. A GRI-funded study says the fuel emits lower levels of ozone-attacking chemicals than engines fuelled by methanol. GRI is managing contracts ranging from finding new high-pressure gas storage methods to developing complete gas-fuelled vehicles.

GRI's members own more than 400,000 miles of underground gas-transmission and gas-gathering pipeline serving nearly 51m customers. But much of the system is 40-50 years old, so a major preoccupation is its safety and integrity. On their behalf, GRI is seeking new ways of inspecting this system for incipient cracks and corrosion without interrupting the service. It calls for almost infallible robotic inspection devices moving rapidly through pipelines operating at pressures as high as 1,000 lb. per square inch.

GRI is funded through a levy on the volume of gas transmitted. At the start this seemed simple since all members were totally regulated. Now there is competition between members – for example, between pipeline and distribution companies. However, a recent review instigated by members who believed they were disadvantaged by such a simple system failed to identify a better way of apportioning the R&D cost.

GRI receives ample advice. Typically, a member company's vice-president for R&D represents it, while it is also advised by the national energy laboratories "for overlaps and to see that we're not pursuing ridiculous concepts," Dreyfus says. In addition, it has an advisory council whose members range from eminent academics to "people right off the drilling rigs."

"But we write the agenda," Dreyfus emphasises. After what he calls the "mating dance" with its various advisers, GRI's board then submits the programme to the Federal Energy Regulatory Commission (FERC) in Washington, which votes on whether the cost can be included in the price for gas.

No stage is rubber-stamped, Dreyfus asserts. Currently GRI's programme is being challenged by a trade association of large-scale gas users which argues that FERC has no legal *authority to approve* end-use R&D, the biggest sector of spend.

FERC itself reviewed the first decade of GRI's progress. It concluded that GRI's advisers had indeed participated effectively in directing the programme and picking priorities. It concluded that GRI was effective in transferring technology to the marketplace and that its benefits outweighed its costs to gas users.

"I think I can convince a rational person that if the gas industry doesn't do R&D, nobody's going to do it," says Dreyfus. But GRI was established in a highly-regulated industry where the R&D appeared to be free. Today, it has everything to do with maintaining gas sales. "I'd hate to try to start again from scratch."

US electricity companies keen on research

THE Electric Power Research Institute (EPRI) in Palo Alto, California, is bigger (it has a budget of $380m), older (it was founded in 1972) and different in structure and philosophy from the Gas Research Institute in Chicago.

The electric power companies pay a subscription to become members of the Institute and then seek to pass on the costs in charges to customers. Unlike GRI, no federal regulater intervenes in the process of trying to claw back the financial outlay.

Although they serve competing energy sources, GRI *and* EPRI have *an informal* joint annual meeting of top managements, and have also funded some collaborative R&D projects. Some big electrical utilities are members of both research institutes.

"Competitors are working with each other to develop generic understandings of, and capabilities in, advanced technologies," says Dominic Geraghty, who directs EPRI's office of corporate and strategic planning.

"Each will later customise what they've learned according to their own business strategies and use it to develop competitive products."

Geraghty believes many high-technology companies have concluded that they have little to lose and a lot to gain by collaborating at the pre-competitive stage of the innovation cycle.

A liberalising of US anti-trust laws in 1984 made it possible for the research consortia concept – which was already firmly established in Japan – to flourish in America. EPRI estimates that there are now about 115 research consortia representing more than 1,000 US companies.

It was also in 1984 that the biggest of these consortia – Bellcore – was set up as a central technology base for the seven new regional telecommunications companies that followed the break-up of AT&T. Bellcore's budget exceeds $1bn this year.

A recent study of such collaborations by the Rensselaer Polytechnic Institute in New York found that the research programmes of consortia are usually tied to the participating companies' strategic plans for new business growth.

Also, as the number of industrial sectors collaborating increased, so has the variety of mechanisms through which the collaboration takes place.

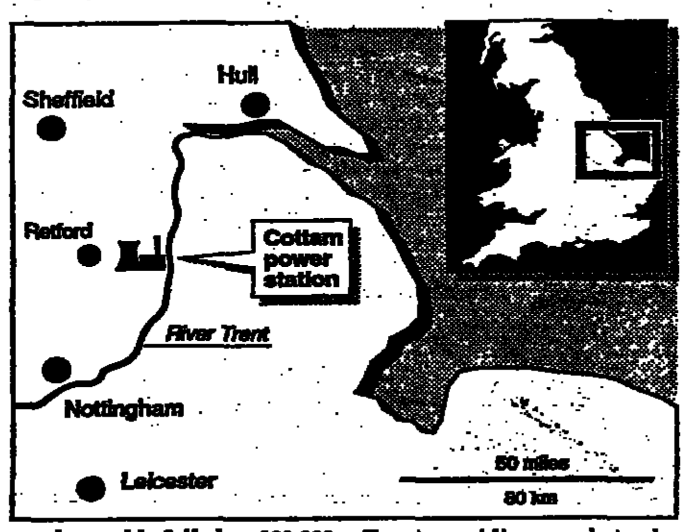
David Fishlock

Diversion ahead for turbine exhausts

Maurice Samuelson on a process which makes coal-fired power stations more cost-effective

With nuclear power out of favour, natural gas is increasingly seen as the principal challenger for coal's place as the prime fuel for electricity production.

But a gas-firing scheme being considered by PowerGen, the new privatised British generating company, is intended to complement rather than replace all the coal being used *in one of its five largest base-*load power stations. Base-load stations meet the country's steady demand for electricity at off-peak times and are the cheapest to run.



At Cottam power station, near Retford on the River Trent, a study is being carried *out as to whether it is feasible* to add a "topping cycle" in which large-scale gas turbines would be hooked up to the coal combustors.

Mr Ed Wallis, PowerGen's chief executive, says that it could give Cottam "a competitive edge." Otherwise, its future could be in doubt.

The technology, not yet applied in Britain, involves fitting a gas turbine at the front end of a conventional coal-fired station and feeding the turbine's hot exhaust gases to the station burners and furnace to produce enhanced combustion.

At Cottam, gas turbines of 100-150MW would be hooked to each of the station's four 500MW coal-fired generating sets. The exhaust from the gas turbines would be used to replace the forced air draught and air heaters of the coal combustion unit.

The capacity of the combined unit would be limited by the availability of oxygen in the gas turbine exhaust. Typically, the highest combined unit efficiency is found when the turbine is approximately 30 per cent of the capacity of the steam unit.

By adding this "topping cycle" to the Cottam plant, the station's overall generating efficiency would rise by about 4 per cent, its output of sulphur dioxide and other pollutants would be moderated, and generating capacity would increase by about 400MW.

Although Cottam's use of coal would fall by 900,000 tonnes a year and another 1m tonnes of coal would be displaced elsewhere, the plant would at least stay open, thereby *avoiding an* even *bigger threat to the cluster* of Nottinghamshire pits which depend on it for their survival.

Commercial pressure for the topping cycle comes from PowerGen's growing ability to burn more imported coal at its two principal coastal plants, Fiddler's Ferry, Merseyside, and Kingsnorth, on the Thames Estuary.

These plants are now the least economic to run, and therefore the last to be called on, of PowerGen's five 2,000MW base-load power stations. Cottam is the third most efficient (after Ratcliffe on Soar and Ferrybridge "C"). But with Fiddler's Ferry and Kingsnorth running flat-out on cheaper imported coal, demand from inland power stations, supplied with British coal, would drop.

Cottam, says Mr Wallis, would slide to the bottom of PowerGen's plant running order, and, once gas-fired power stations opened in the mid 1990s, it would have an uncertain future.

PowerGen would apparently like to use cheaper imports at Cottam, too, but its plans are reported to have been blocked by local authorities' reluctance to permit dredging of the River Trent enabling coal to be brought upstream.

The topping cycle study at Cottam is being carried out for PowerGen by NEI-ABB, the *joint* turbine company set up to address the British power plant market by NEI (part of Rolls Royce) and Asea Brown Boveri, the Swedish-Swiss group which is now one of the leading world suppliers of combustion equipment.

The study, costing £350,000, is expected to lead to a decision in the summer on whether to proceed. The plant would take three or four years to build and would cost £175m.

It would be the first such application of a topping cycle at a British power station. However, the idea is well-tried on the Continent. Since 1984, it has been used to convert 10 gas fired units in the Netherlands to fully-fired combined cycles.

Because the Netherlands had a 40 per cent plant margin at that time, the conversions, covering 3,500MW of plant, were optimised to reduce total fuel consumption rather than for increasing generating capacity. The power stations' net efficiency was improved by 5 to 6 percentage points.

In West Germany, the utility VEW has built a new plant at Werne of 750MW output, combining a 112MW gas turbine with a 662MW steam turbine run on coal.

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The world goes Green about the gills

Christopher Dunkley declines to board television's environmental bandwagon

Just in case you have been trapped down a coalmine for the past fortnight it should be explained that the BBC and umpteen other European public service broadcasting organisations have organised something called "One World Week." The scheme was suggested by the Germans and launched on Sunday evening on BBC1 with a German documentary called *The World In Our Hands*. This declared itself to be about "The global crisis facing us all today and the steps urgently required to ensure a common future for our children on earth." Later that evening came a drama called *The March*, about starving Africans trekking to Europe under the slogan "Watch *Us Die*," and tonight BBC1 screens a 60-minute programme somewhat risibly entitled *HRH The Prince Of Wales: The Earth In Balance*.

It seems that the people who run public service broadcasting in Germany and Norway, Sweden and Portugal – not to mention the BBC – are a pretty unusual lot. They disapprove of mass starvation, are worried about acid rain, and anxious about the effects of rapid population growth. They dislike the pollution of rivers and seas, oppose the obliteration of animal and plant species, and are saddened by deforestation and desertification. They would like less waste, an end to warfare, and the disappearance of poverty. Nothing very remarkable about that, you may say. The odd thing is that, judging from the attitude of their programmes, they believe that the rest of us actually approve of poverty, starvation, pollution and so on.

There are still quite a few programmes to go in the sequence, but after watching *The World In Our Hands*, *The March*, *Everyman's* "Will The March Go On?", *Panorama's* "The Big Heat" about global warming and "the climate war," and tonight's *Earth In Balance* my feeling is that this is not so much an exercise in journalism as a crusade with all the trademarks of any other religious movement: mysticism, the repetition of rubrics, and the unquestioning acceptance of untested assumptions. A tone of messianic fervour runs through the commentaries, from Michael Buerk's call for "A better, fairer, cleaner world!" to Prince Charles' "We must try to restore a sense of balance between mystery and reason."

Perhaps the summons to the green standard is now so strong that most viewers will find a soft, wet version of the apocalypse tremendously appealing. But when I hear the collective voice of the BBC – an organisation I admire for producing such rigorous journalism as that in *Horizon* and (more often than not) *Newsnight* – raised in this sort of sentimental ululation, all my alarm bells start ringing.

They were first set off during that opening documentary (not actually produced by the BBC, but topped and tailed by Buerk and fully endorsed by the Corporation, it seemed) by the words: "Scientists say that global warming will melt the polar ice caps and the sea level could rise by a metre in the next 40 years." Honest journalism would state that this is a theory advanced by some scientists and denied by others, but of course religious dogma cannot tolerate ifs and buts.

A little later we were told: "The earth's ozone shield is progressively stripped away by the effect of CFCs . . . the ozone canopy over the Antarctic has been seriously holed; at first scientists couldn't believe their measurements but now we know the truth." We certainly know there is a hole, but since it was only discovered recently it is not clear whether it first appeared in the last 50 years, whether it regularly comes and goes, or whether it has been sitting there for 5,000 years. Nobody knows. But of course high priests cannot afford to be equivocal with their auguries.

Prince Charles expounds his vision to Richard Lindsay, of the Nature Conservancy Council, in *The Earth in Balance*

This programme also began a habit which has spread through the week, of quoting the noble savage at the wicked white man: "The forests carry the skies," the Indians say, "and if the forests are felled the sky will fall on us." Ha! You see? They *know*, these wise ones with their feet in the soil. Of course if the soil was in Somerset and the wise one was white and saying "Cast not a clout till may be out" the television reporter would be less impressed.

The alarm bells had started to ring over *The March* long before transmission because the BBC had spent days showing a trailer in which the black African leader of the march, El-Mahdi, gazed soulfully at the whites and said: "I think we are poor because you are rich." It is the sort of slogan that appeals powerfully to the emotions of teenage greenies with a guilt complex, particularly those who have never heard of simple market economics. Turn the equation round – "Pauperise yourselves so that we become rich" – and its absurdity is a bit clearer. Within the drama there were slight hints that this was not a universally accepted truism, yet in the end even Brussels commissioners were shown musing over the idea as though it were probably right.

In an article puffing his drama last week Nicholson was quoted as saying "The story really is as much about the European response as anything else. The question is, what are we going to do with Africa?" – which, assuming it is accurate, suggests a breathtaking level of condescension towards Africans. The same tacit notion that Africans cannot be expected to put their own house in order informed *Everyman*, which could see African economics only in terms of what was done by outside forces, whether via colonialism in the past or via trade from the north today. Even the African spokesmen themselves conspired in this assumption of helpless dependence. Explaining how progress might be made, the man from the Organisation for African Unity said: "First the fisherman *must be given* a fishing rod."

It was during the preview of tonight's 60-minute sermon from Prince Charles, however, that the bells became really shrill. He sounds a very sincere and well-intentioned chap, and really seems quite endearing when he quotes St Francis at us, and scolds us for denying "the mystery of the universe." His own ideal seems to be a sort of medieval socialism practised in monasteries such as St Benedict's. But why is he the one doing this programme? Is he considered a better presenter than David Attenborough? It seems unlikely. Does somebody think he knows more about the subject than Attenborough? Even less likely. It is hard to avoid the feeling that he happens to have been born into the right family and his presence in the "One World" output is regarded as a monster propaganda coup.

And that is what really sets the bells going. As a royal Prince Charles can express a sentimental conservatism which is in the end deeply political but which happens to chime precisely with the sort of Sixties politics ("wet enough to shoot snipe off") which characterises the heartlands not only of the BBC but most of European public service broadcasting. It is a perfectly respectable attitude and one that I might verge on sharing myself . . . if it were not being rammed down my throat.

As it is, the finger wagging of the "One World" exercise and the Prince's highly questionable belief that "This earth is the one oasis we have in the vast desert of the universe" has pushed me, for one, towards the other extreme: towards a belief in that curiosity and audacity which have always driven mankind on towards new horizons. The latest new horizon, thanks to the Hubble space telescope, is hundreds of light years away. Naturally nobody wants mass starvation on this planet, the population explosion, or environmental pollution. But perhaps, instead of bending down to look at the oil slick or the cracked concrete at our feet, we should be stretching upwards and looking outwards to the stars. Then the BBC could look towards the day when it mounts a "Two Worlds" exercise.

Die Zauberflöte

GLYNDEBOURNE

Glyndebourne's opening show is a new *Zauberflöte* (sponsored jointly by Deutsche Bank and Morgan Grenfell). At Monday's final curtain-call it provoked, I believe, the festival's first-ever outbreak of sustained booing – for the producer, Peter Sellars, and his designers, Adrianne Lobel (sets), Dunya Ramicova (costumes), and James F. Ingalls (lighting).

My guess is that the protest was occasioned not by outrage, but out of simple, overwhelming disappointment. In advance the production had been drummed up as hot stuff, and its producer as (in the headline of a *Guardian* profile) "Opera's smart young Turk." Smart? If only! The staging offers no controversy, not the remotest sense of intellectual challenge, and precious little musical joy. A few jokes, a few mildly ingenious turns at the game of equivalent-finding, acres of boredom in Act 2 – and that's about it.

"Please have a wonderful evening, mystifying and clear," is Mr Sellars' greeting at the end of a Press hand-out, which recommends to us an "imaginary Los Angeles landscape . . . a fantasy paradise with an underbelly of gritty reality." Modern-dress *Flutes* are, in themselves, an entirely un-mystifying starting-point. This one, with its split-level stage (the upper level creating a modern version of baroque theatre machinery complete with attractive quick-change flats of West Coast scenes and footlights, the lower a concrete-pillared warren), starts off nippily – Tamino against a backdrop of motorway nightmare having a drug-induced bad trip. The three ladies, Hollywood slinkies in pillbox hats, are fun. The signboard surtitles flashing on the mid-level divide seem to be witty and subversive.

What becomes clear, after this, is that the production's ambitions go no further than undergraduate whimsy. The confrontational element of the best transplanted, time-shifted opera productions – the searching-out of parallels that force an audience to cross time-barriers and ponder meanings – is missing. The deep, serious logic of the best *Flute* productions is light-years away, and so the fun soon shrivels. Some of Mr Sellars' inventions (the three boys on skateboards, Sarastro's followers as saffron-robed mystics) could have borne interesting development; others (the brief-case-toting, three-piece-suited Monostatos) are so feeble that it becomes almost an embarrassment even to mention them. Almost all of the characters are conceived and delivered in the language of the cartoon strip.

The only truly mystifying element in the production, indeed, is the decision to drop the spoken dialogue, an act of self-mutilation on a mind-boggling scale for which no reason is given. The absence of chat – replaced, it seems, by much use of deaf-and-dumb sign language, no doubt a production in-joke – forces on Act 2 a series of endless, meaningless, achingly tedious silent mimes. Above all, it reduces Papageno's role to rubble; James Maddalena struggles nobly with an impossible task. (No doubt for the reason that on their own the musical numbers themselves fail to provide a continuous dramatic sequence – how could they? – Glyndebourne have introduced into Act 2 "Pamina, wo bist du?", the little-known duet for Tamino and Papageno: given first in an 1802 Vienna revival, it is thought to be spurious, and is in any case weakly time-wasting.)

The sum of all this is probably the flattest, laziest, emptiest piece of work in festival history. In America Mr Sellars' stagings of the Da Ponte Mozart, Handel, and Wagner have inspired high praise for their combination of freshness and seriousness: did he simply lose his way at Glyndebourne?

The evening is not helped by the limp, pedantic conducting of Lothar Zagrosek, and by the number of middling-to-poor voices on offer. As exceptions to that general rule there are the very promising, vibrant, but (I think) vocally miscast Pamina of Ai-Lan Zhu, the three Ladies (Annegeer Stumphius, Denise Hector, Fiona Kimm), and the Monostatos of Howard Haskin and Speaker of Alastair Miles.

Above all there is the Tamino of Kurt Streit. He looks good in T-shirt and jeans; his natural physicality is attuned to both the role and the production's handful of good moments; his singing is beautifully clear, stylish, and supple. Unfortunately, this Tamino provides a harshly stringent standard by which to measure the evening's overall achievement.

Max Loppert

James Maddalena: a struggling Papageno

Murray Perahia

FESTIVAL HALL

Murray Perahia's programme in the South Bank International Piano Series attracted a full audience to the Festival Hall but was oddly conceived, distinctly unsatisfying. His first half placed César Franck's *Prélude, Choral et Fugue* before Schumann's *Fantasie in C*, which is like prefacing a poem with a sermon or an improvisation with a rule-book.

The two works had little to say to each other, though Perahia made as beautiful a lyric case for the Franck as can be imagined. His preludial thoughts were supple and refined, his *Choral* had a marmoreal smoothness and solemnity, and boasted as it went on a considerable bravura of arpeggiation. His *Fugue* was quiet, restrained and attractive, its virtuoso peroration kept well in its place.

The Schumann (which Perahia has just recorded for the new Sony label) was brought off with a fine feeling for its constantly shifting rhythms and moods, its fluidities of phrase, its ironic interplay of musical "personae," its secretive charm; the improvisatory quality of the work was perfectly conveyed, and the limpid beauty of Perahia's sound was as seductive as his precisely notched off-the-beat accents (of which the work is full) were compelling.

I wished, though, that he had been adventurous enough (so few pianists are) to essay Schumann's original ending, which touchingly reverts to the Beethoven quotation at the end of the first movement.

After the interval the peculiarity of the programme became overt: the second half was nothing more than a bunch of encores, which Perahia got through at a lick, hardly pausing for applause.

Nevertheless there were wonderful things for the ear: featherlight and fetching accounts of Chopin's B flat minor Mazurka (Op.24, No. 4) and E flat Nocturne (Op.55, No. 2), and a rendering of his Scherzo No. 3 (Op. 39) which, though it was not without roughnesses in the main movement, had a marvellously proposed trio-section whose right-hand descending figurations were like flurries of warm Majorcan rain.

Liszt's brief *Au bord d'une source* was prettily despatched, and his *Rhapsodie espagnole* received an interpretation spitting with rhythmic life and glittering with local colour. Then came the encores proper, the first being Schubert's A flat *Impromptu*.

If there was any more point to this programme than the emptying of a basket of goodies, I could not see it.

Paul Driver

The Turning World

THE PLACE

Two modern-dance events in The Place's current season of international choreography, *The Turning World*, struck me as the best news in European Modern Dance for a very long time – since, oh, maybe the *Weimar Republic or even the* death of Lenin.

Joachim Schlömer makes real dances. This is rarer in Continental Europe than you might believe. Schlömer – who has been choreographing since 1984, but who only formed his Company Josch this year – is one of the emerging European members of Mark Morris's Monnaie Dance Group in Brussels. His dances, which have stayed in my head for days, say something that almost no Continental choreographer has bothered with for decades: "Look at my dancers: how good they are, what they can do." Even within single phrases, the dancing combines fast and slow, up and down, small and large, staccato and legato, gesture and rhythm. They have a very European quality of containment, and an air both of manners and of mechanism. Sometimes what the dancers are doing looks absurd, but this is always offset by the sure sense of overall system. The result is highly expressive.

His programme presented five works. *Weg* and *Shoulder to Shoulder* are each for three men and three women. *Weg*, to Messiaen music, is a fine introduction to the unusual rigour *of Schlömer's style. Every body* part is very precisely controlled. Thorax and thigh keep a strikingly sculptured firmness, and the sureness of rhythm keeps that lively. This style has weight, tension, variety. *In Weg it moves from* dancers pedalling along the floor on their backs to quick air turns. *Shoulder to Shoulder*, to Test Department music, has march-like steps, machine rhythms, and drumming fists. It suggests a rock vision of totalitarianism.

Schlömer doesn't employ a huge vocabulary but, by frequently switching tone and tactics, he keeps us stimulated. *Duet*, in silence for himself and Georg Leonhardt in black leotards, is a series of different ironic routines - ironic because so dead pan and yet intensely co-operative. A startling backwards fall, a sudden-death catch, an unexpected final lift: by these dramatic means, *Duet* keeps surprising, and always enriching its own pictorial and rhythmic shape.

I'm haunted most by the poetic strangeness of two solos. In *Les Etoiles*, danced to more Messiaen music, Doris Lamatsch showed the intense contrasts of Schlömer's style within the narrowest means. In a green velvet calf-length dress, her legwork always intently parallel, she stood on one leg or two or she paced, tipping, arching or gesticulating the while. In one passage, her feet, torso and hands, *moved in three different* speeds; the third, and final section was all rooted to the spot, her back to the audience. Through all the exact detail, there emerged a constant fixity of purpose, dreamlike absorption in her own action and the surrounding space, and a sense of being free from time.

In *Es Sang Vor Langen Jahren*, Schlömer danced himself to vocal music by Arvo Pärt. Wearing flesh-coloured underpants and using a pale sheet as a carpet, a toga, a cloak, he wrought a spell by his complete concentration, stretching, bending and pacing, fluttering fingers like wing-tips, etching fine strokes of abstract mime.

The Flemish Whim Vanderkeybus showed his first work here last year. He does not call himself a choreographer, and his second work, *Les Porteuses de Mauvaises Nouvelles*, which he has directed for his Ultima Vez Company, has about ten basic moves, none of which should be called steps. He has things to say, but he doesn't hurl them at us, he lets them excite and amuse as he keeps playing with them, and he does so with exceptional authority. *Les Porteuses* proceeds like a series of games; it's excellent spectator sport. Everything in it is part of one game or other. Board games; party games; solitaire games; playground games; field games; wrestling games. All of them prove expressive and surprising.

It begins with a big square *floor of tiles* - which looks like cork, or an amber parquet chessboard - and the dancers simply throw darts across and into it. See the variations: left to right; right to left; front to back, back to front; two at a time; criss-cross. That's the seed for everything that ensues. Dancers leap, travel, arrive, stop.

Vanderkeybus entertains every which way. A game is for one, for a group, for male-female couples, for either-sex couples. The daring falls and catches are as expressive as they are exciting. In one unremarkable passage for couples, these acts – falling, catching, holding – reach their most dramatic. A man drops on to a woman; she holds him away, her parted fingers pressing in to his temples; she holds him to her; she tries to escape from under him, only to tumble him over and hold him in a new clinch. The games people play: a complex picture of human relations has been emerging.

Vanderkeybus had a big success last year in Europe, here and in New York with *What the Body does not Remember*, his very first work. *Les Porteuses* is his second. His third has recently played to the Théâtre de la Ville in Paris to sold-out houses. How old is he? Twenty-seven. Schlömer is 28. Their careers are to be watched with the very greatest interest.

Alastair Macaulay

ARTS GUIDE

May 18-24

THEATRE

London

Jeffrey Bernard is Unwell (Apollo). Tom Conti is the alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs (437 2663).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

Shadowlands (Queen's). Four-tissue weepie about the love affair between crusty Oxford writer C.S. Lewis and the cancer-riddled American poet Joy Davidman, which pushes both Nigel Hawthorne and Jane Lapotaire into the awards stakes. William Nicholson's play is irresistibly emotional. Elijah Moshinsky's direction is superb (734 1166/439 3849).

Stuttgart

Makal City Theatre, Marienstr. 12. Peter Makal, director of the Stuttgart-based International Festival of Mime, now in its eighth year, has put together a truly world-class programme. Founder of the Makal Theatre, he will present a dozen specialist groups and artists from eight countries, includingthe Soviet Union, East Germany and Hungary as well as Chile, Australia, France and the US. Ends June 4 (0711/626208).

New York

Cat on a Hot Tin Roof (Eugene O'Neill). Kathleen Turner, whose statuesque good looks embody Tennessee Williams' vibrant character Maggie, is surrounded by an excellent supporting cast in Howard Davies' production.

Grapes of Wrath (Cort). The Steppenwolf company's interpretation of the Steinbeck epic novel has taken a long time to reach New York from Chicago; the wait was worth it, with the 1930s brought alive in its squalour as well as its test of human strength. Gary Sinise as Tom Joad stands out in Frank Galati's adaptation.

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including *On the Town, West Side Story* and *Gypsy*. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Serafina (Kennedy Center Opera House). The spirited teenage cry for freedom, including shrill enactments of police brutality, brings the hyper-reality of South Africa home with a lively beat. Ends May 27 (467 4600).

Chicago

Uncle Vanya (Goodman). Michael Maggio directs John Mahoney in David Mamet's new adaptation of the Chekhov classic. Ends May 26 (443 3800).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

A Chorus of Disapproval and The Beggars Opera (Court). With clever scheduling, Alan Ayckbourn's comedy about putting on *The Beggar's Opera* appears in repertory with the work itself. Ends May 27 (753 4472).

Tokyo

Kabuki. Kabuki-za (541 3131). Performances this month feature two leading onnagata (specialists in female roles), as well as a traditional name-taking ceremony. The highlight of the 4.30pm show is a famous scene from *Meiboku Sendai Hagi (The Disputed Succession)*, one of the classic "loyalty plays" of the Japanese theatre. Earlier, at 11am, Living National Treasure Utaemon VI plays his greatest role, as a mother driven to distraction by the death of her son, in *Sumidagawa (Sumida River)*. Excellent earphone guide in English and English-language programme. Ends May 27.

Hamlet. Performed in Russian by the Moscow Theatre of the South-West. This comany started as a local amateur group and is said to be the USSR's only self-supporting company. Parco Theatre (370 2692). Opens Thursday.

Peer Gynt (in Japanese). Japan's most famous director, Yukio Ninagawa, best known for his samurai Macbeth and noh Tempest, tackles Ibsen's "unstageable" masterpiece, with a cast headed by two popular young rock singers. Should be fun. Aoyama Theatre (201 7777).

Window Speak. Avant garde mime by Daniel Stein from the US. Tokyo Globe Theatre (Tues, Wed) (360 1151).

SALEROOM

Runaway cars

A 1962 Ferrari GTO sold for £6.8m in Monaco on Monday night, an auction record for a car. It was bought by the Swedish industrialist, Hans Thulin, better known as a collector of expensive modern pictures but the owner of 100 cars. The price was actually slightly below expectations, but it is hard to estimate the value of such a rare model.

The GTO dominated the world's racing circuits for many years, winning three world championships, but this one was retired early and consequently stayed in good, and original, condition.

It was sold by the US commodities broker and car enthusiast Robert Rubin. The previous best for a car at auction was the £5.5m paid at Christie's in London in 1987 for a 1931 Bugatti Royale.

The auction organised by Sotheby's in the tent of the Monagesque circus totalled £10.4m (FFr97m), but was 30 per cent unsold. Some important Ferraris failed to find buyers, perhaps because tight new laws forbid the import into Italy of cars without seat belts and pollution controls – something visibly missing from fast Italian sports cars. As a result Italian bidding was muted.

Still, a 1962 Ferrari GT short wheelbase Berlinetta sold, within estimate, at £980,000, as did a 1989 Ferrari F40 Berlinetta, owned briefly by Nigel Mansell, which made £712,300.

Yesterday it was the turn of Brooks, the auction house formed by Christie's breakaways, to sell cars in Monaco. It was generally pleased with the results. A 1941 2.9 litre Alfa Romeo, made from parts found in the factory, sold for £1.6m, while the 1964-65 1.5 litre Ferrari Formula I car in which Lorenzo Bandini finished second in the 1965 Monaco Grand Prix sold for £2m. All told it appeared in 10 Grands Prix.

In calm contrast Christie's sold in London yesterday British drawings and watercolours for £303,622 but with almost a quarter, by value, bought in. Archibald Thorburn bird pictures were as consistent as ever, a 1932 watercolour of grouse on a moor selling for £22,000, at the bottom of its estimate, while partridges and a goldfinch in a winter landscape was on target at £13,200.

Sotheby's continued to dispose of some of the contents of Colstoun in East Lothian and achieved a very high price for a Toby Jug of £16,500. It was paid by the London dealer Alistair Sampson for a rare creamware jug of the late 18th century showing a toper in a frock coat, clutching a frothing mug of ale.

Antony Thorncroft

FINANCIAL TIMES

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Wednesday May 23 1990

Meanwhile, in Gaza

IF ANY area of the world remains untouched by the remarkable changes of the last few years it is, at first sight, the Middle East. The news from there has a depressing sameness to it. An Israeli goes berserk and kills seven Palestinians. Palestinians riot in the occupied territories, and at least 13 more of them are killed by Israeli troops and settlers firing "in self-defence". An Arab in Amman "retaliates" by opening fire on a busload of French tourists. Arab leaders call for action by the UN Security Council, while themselves convening in the capital of a country whose leader recently threatened to "consume half of Israel" with chemical weapons. In the background, two of the least-known Arab states announce that they have merged into one.

The main difference, perhaps, is that the rest of the world pays less attention than it would have done a few years back. Relatively plentiful energy supplies, bringing with them a relative shrinkage of the Middle East's purchasing power, have allowed the western public to avert its gaze from Middle Eastern troubles which seem largely self-inflicted, and to concentrate on the more uplifting spectacle of eastern Europe's struggle to be rid of communism. The strategic importance of the Middle East is less obvious than it was, and the bogey of Soviet domination no longer scares anyone much, now that the Kremlin is hard put to it to dominate Red Square. Only the occasional release of a western hostage in Lebanon arouses a flicker of interest.

Cause for concern

Yet there is cause for concern, even if one discounts (as one should not) projections suggesting that western dependence on Middle Eastern oil will increase again in the late 1990s, when eastern Europe and even the Soviet Union may also be looking there for supplies. The Middle East remains very close to Europe, and the arms race there now involves weapons whose effects, if used, would not be easily contained within the immediate target area. When a man as cautious as President Hosni Mubarak of Egypt warns of "bloody confrontation", the West is obliged to take some notice. And on a purely humanitarian level it is hard to accept, when peace and democracy are becoming the norm in Europe, that war and repression should still be dominant next door.

Calls for democracy

In reality events in the Middle East are not divorced from those in the rest of the world. Yemeni unity, announced yesterday, proceeds from precisely the same cause as German unity, namely the collapse of the communist half of the country, brought about partly by a sharp drop in Soviet support. Other regimes allied to Moscow, notably those in Syria and Iraq, are shifting uneasily in their seats and trying to improve relations with their neighbours. Calls for more democracy are heard from Kuwait through Jordan to Algeria. And one major factor in the current sharp worsening of Arab-Israeli relations is the sudden boost to the Israeli Jewish population caused directly by the changes in the Soviet Union. That indeed is the subject both of Mr Mubarak's outburst yesterday and of next week's summit in Baghdad.

Jewish immigration to Israel should not be anyone's *casus belli*. But it is clearly bad news for those Arabs who had hoped demography would eventually convince the Israelis that holding on to the occupied territories was not in their interest. From that point of view it makes little difference whether the new arrivals themselves settle in the territories or not. It is the very existence of the occupation which poisons the lives of both Palestinians and Israelis.

The occupation, not the immigration – still less such trivia as the granting of a US visa to Mr Yassir Arafat – is the fundamental issue. In everyone's interest it must be ended, and that can be done only in one of two ways: by unilateral Israeli withdrawal, or by negotiated settlement. If Israel prefers the latter, as one would assume, it must be prepared to negotiate with the body which Palestinians have repeatedly designated their representative: the Palestine Liberation Organisation.

Mr Howard's own goal

THE UK Government is anxious to improve the quality of industrial training. It also wants the voluntary sector to assume greater responsibility for promoting social welfare. It is curious, therefore, that Mr Michael Howard, the Employment Secretary, is pursuing policies which seem certain to compromise both objectives. In recent weeks, funding cuts have obliged many voluntary organisations to scrap or significantly reduce their training programmes. The cost of this retrenchment is being borne mainly by groups on the margins of society: the mentally and physically disabled, ethnic minorities, single mothers and the long-term unemployed.

The Government's funding cuts are far larger than can be justified by demographic or employment trends. This year, the budget for Youth Training (YT) is being cut by about 11 per cent in cash terms. Over three years the planned cut is 25 per cent – perhaps 45 per cent after allowing for inflation. The budget for Employment Training (ET), the scheme which caters for the long-term unemployed, is also being sharply pruned. Perversely, the cuts are being imposed just as ministers are struggling to launch a national network of employer-led Training and Enterprise Councils.

On the ground, many reputable training providers are facing much larger cuts than the aggregate figures might suggest. The cuts are also being imposed at ludicrously short notice. For example, the Training Agency recently gave South East Training four weeks to adjust to a 40 per cent reduction in income. Yet the organisation, which caters for disadvantaged groups in Peckham, a depressed part of south London, has a waiting list for its adult training scheme. Many other groups, including the Spastics Society, have announced withdrawal or reduction of training schemes.

Necessary adjustment

Mr Howard points out that public expenditure on training has risen sharply in the past four years – a period in which unemployment has fallen markedly. An adjustment this year, although painful, is thus both necessary and desirable. Ministers also note that employer contributions to YT and other schemes have risen, albeit from a low base: public-sector cuts are seen as a way of encouraging a bolder commitment from the private sector.

Training providers are aware that public funds are not unlimited. The more perceptive also accept that a shake-out of some kind was necessary. ET, for example, replaced the Community Programme, a make-work scheme for the long-term unemployed. Some organisations which ran good CP schemes are not proving particularly effective *training* organisations. It would not make sense to fund such groups indefinitely. But instead of weeding out the poor trainers, officials seem to have opted for across-the-board cuts. These are crippling the good as well as the bad providers; hence the withdrawal of well-known names.

Low funding

The fundamental problem, however, remains the low aggregate level of funding. It is disingenuous of Mr Howard to argue that because spending has gone up, it must now come down. During the late 1980s, the UK gradually became aware that it was failing to invest in human capital on the scale taken for granted in many competitor countries. The bulk of YT graduates, for example, achieve only low-level qualifications. If the Government is serious about raising the *quality* of the UK workforce, it must at least maintain its real investment in training; indeed, most observers would make a case for additional funding.

It is important to encourage bigger contributions from industry. But ministers must be realistic about the sums likely to be forthcoming. They should recognise that companies have no commercial incentive to finance the training of disadvantaged groups, such as the mentally handicapped and the long-term unemployed. The voluntary groups which are trying hard to prevent such people falling out of the economic mainstream deserve a better deal. If Mr Howard does not act quickly, a whole tier of voluntary endeavour may evaporate.

Alan Friedman says it will take time to overcome the array of loan problems

The shadows over US banking

A spectre is looming over the US commercial banking sector, and to judge from some Wall Street pessimists has the head of a hydra. Unlike the worries aroused by the Third World debt crisis of the 1980s, the present concern stems not from one looming problem but from an amalgam of them, starting with – but not limited to – bad real estate loans.

They threaten to cause a sharp increase in non-performing loans – on which interest is not being paid – and write-offs at big New York money centre as well as regional banks, and to have a severe impact on bank earnings in the short term.

Mr Nicholas Brady, the Treasury Secretary, is trying to put an optimistic gloss on things. He soothingly discounts the possibility that commercial banking will replicate the conditions in thrift institutions, where the total savings and loan bail-out may now cost $400bn to $500bn.

But there is no doubt that the US commercial banking sector is weak and getting weaker. Regulators say that a number of banks need to bolster their capital ratios. Capital replenishment has become a priority for most of the big US banks. Heavy less developed country (LDC) debt provisions were made from 1987 onwards, and last year saw several money centre banks raising equity.

Citicorp closed last year with a ratio of 3.6 per cent of common equity to total assets of $230bn. It is widely seen by industry analysts as insufficiently capitalised, and is certainly below the average 4.4 per cent equity/capital ratio of other top money centre banks. The bank claims it can generate enough capital internally to boost this ratio by year-end to more than 4 per cent. Some of the more troubled regional institutions in New England and elsewhere are much worse off. The Bank of New England (BNE), for instance, has seen its

Citicorp has a cushion not available to many of its competitors: it derives 60 per cent of its core profits from consumer-related business

equity/capital ratio slip to as low as 2 per cent.

The danger which looms this year has its roots in three areas – real estate, loans linked to highly leveraged takeovers (HLTs) and the diminished, but still visible overhang of LDC loans.

The banks also face various structural challenges such as overcapacity in the industry, rising pressure on margins and a decline in Wall Street fee income, to say nothing of the rise of capital-rich European and Japanese institutions that have begun to hasten the decline in competitiveness of US banks internationally.

The fall in US property markets is beginning to cause a serious deterioration in the quality of real estate loan books, and there are signs that the situation is worsening. The leading credit rating agencies – Moody's and Standard & Poor's – have already downgraded more than two dozen US banks since the start of the year because of concern about dubious commercial property loans. Among banks whose ratings have been lowered are Citicorp, the Bank of New England, Chemical Bank, the Bank of Boston and Fleet/Norstar.

Some bankers dismiss the real estate recession as either a regional affair or a cyclical downturn. They note that areas such as Texas and Arizona – and bank lenders in these states – have seen the worst of their real estate crises, including numerous foreclosures, bankruptcies and a sharp drop in values.

Now it is New England which is experiencing the nation's worst property slump and dragging down the fortunes of banks such as BNE. The bank, which incurred a $1.1bn loss in the last quarter of 1989, has had to sign a consent order with the Fed, requiring it to change its top management and sell off assets of $6bn.

Nor is New England the only trouble zone. The recent downgrading of New York-based Chemical Bank by Moody's indicates the real estate problem is far-flung. Weakening property values have been reported in Manhattan, Baltimore, Minneapolis, Atlanta, and even Los Angeles. Real estate problems were part of the reason why Hongkong and Shanghai Bank was forced to inject $300m of new capital into its New York-based Marine Midland subsidiary.

Mr John Reed, chairman of Citicorp, the biggest banking group in the US, is a kind of one-man barometer of the sector's sentiment. Citicorp, with 10 per cent of its $12.6bn commercial real estate portfolio now classified as non-performing, also happens to be the nation's largest commercial real estate lender.

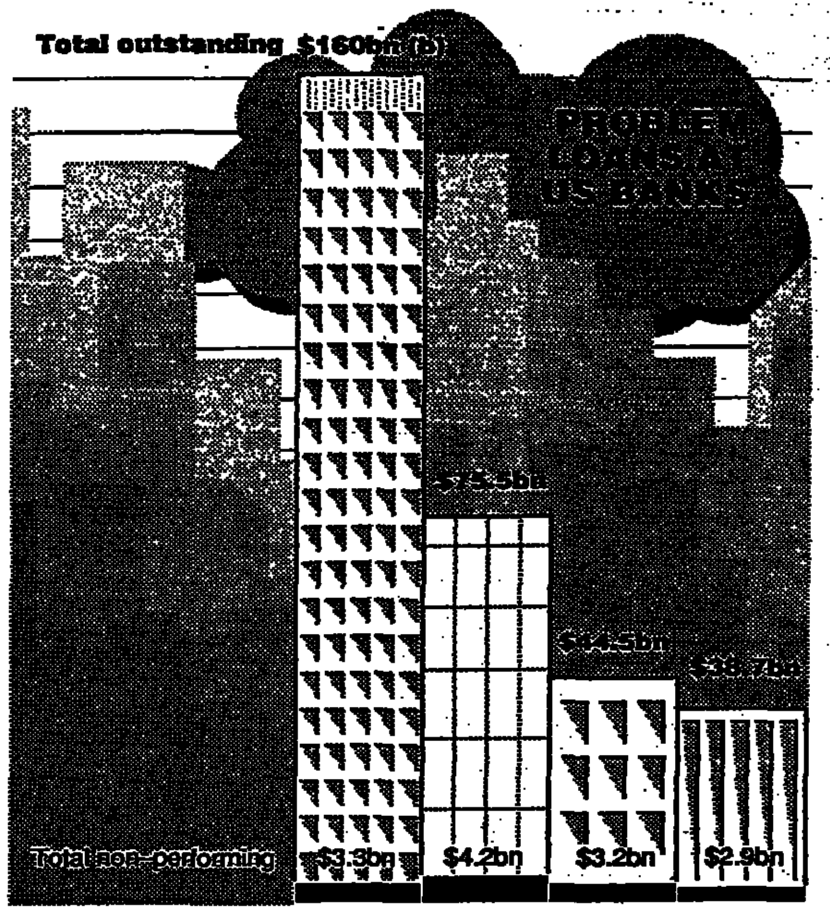
Like other bankers, Mr Reed is casting the crisis as a cyclical phenomenon. The current downturn is "just like the early 1970s and will have a short-term impact on earnings", he says. Yet he recently visited 36 real estate customers around the nation and deduced that prices are weakening. The Citicorp chief links the downgrading of his bank by Standard & Poor's to real estate. He even predicts that Moody's, which still has Citicorp under review, will also downgrade its rating.

"I told the ratings agencies that if they wanted to signal there has been a deterioration in the quality of assets then that's true. There has been a deterioration," he admits. He says the bank will "continue to feel the pressure of this", and indeed the bank has said that non-performing real estate loans could rise by $500m to $600m this year, a 40 per cent jump.

Mr Willard Butcher, chairman of Chase Manhattan, which has disclosed $884m of non-performing real estate loans out of a total loan book of more than $9bn, says his bank began to limit the growth of its real estate lending and to tighten appraisal standards two years ago. But he admits: "Obviously the industry is troubled."

Mr John McGillicuddy, chairman and chief executive of Manufacturers Hanover, says his bank's current non-performing real estate portfolio is low, but that is because it has already written off $200m-worth of such loans in trouble spots such as Texas and Oklahoma over the past two years. He thinks that real estate will have an impact on earnings at banks across America. "I think you work these problems out over a two- or three-year period. It doesn't get well in six months," he says.

One controversial aspect of the situation is the role and impact of bank regulators. A collective moan began to emanate this year from bankers in New England who felt that the regulators (especially the Fed and the Office of the Comptroller of the Currency) were being too stringent about evaluating problem loans. The bankers said this was compounding the problem and triggering a credit crunch.



(in $ millions)	Citicorp	Chase	Chemical	Man Hanover
US real estate(outstanding)	12,600	9,300(e)	7,500	2,700(e)
US real estate(non-performing)	1,300	884	1,300	100(e)
LDC(outstanding)	8,400	4,500	2,950	4,900
LDC(non-performing)	4,200	2,521	1,268(c)	2,037
HLT(outstanding)	7,900	4,500(e)	3,500	3,000(e)
HLT (non-performing)	700	50(e)	78	50(e)

All figures are as at March 31, 1990, and, except for estimates, were supplied by the banks.
(b) Citicorp's commercial loan portfolio alone equals $66.1bn. (c) Chemical Bank disclosed only its non-performing LDC loans for Argentina and Brazil.(e) Estimate

LDC = less developed countries: HLT = loans linked to highly leveraged takeovers

What has really happened is that money centre bankers have become increasingly nervous about the prospect of being visited by Federal examiners who might classify their loans as non-performing and force them to boost provisions. So they have turned away a rising number of loan deals. They have also cut back interbank lines to smaller institutions such as the troubled Washington Bancorp, which has become the first US commercial bank in recent history to default on its commercial paper obligations as a result.

This trend led a fortnight ago to a strange initiative by the three top regulators – Alan Greenspan of the Fed, Robert Clarke, the Comptroller, and William Seidman, chairman of the Federal Deposit Insurance Corporation – who took the unusual step of trying publicly to reassure bankers that tough supervision would not punish prudent lending. They urged the bankers not to stop lending out of fear of increased scrutiny.

A survey released last week by the Federal Reserve showed that commercial banks are restricting loans on commercial property and cutting back on lending to some small and medium-sized businesses. But the survey suggests that there has not been a general credit squeeze.

Mr Lewis Preston, former chairman of JP Morgan and now chairman of its executive committee, feels the banks have been reassured by the regulators. He said last week the message had been received. Mr Peter Wallison, former White House counsel and general counsel at the Treasury who now represents the New York Bankers Association, blames the lending slowdown on regulatory restrictions such as over-zealous scrutiny and pressure to maintain high capital ratios.

The resolution of the thrift crisis could also further weaken the commercial real estate sector, through the planned auction at a discount of billions of dollars of property seized by the authorities. Would-be buyers are already being given telephone numbers to dial for information and prospectuses on the auction, which is to be carried out partly on television.

Real estate is the most compelling reason why 1990 is a year that most bankers wish had already passed, but the threat of more non-performing HLT and LDC loans are also troubling factors. So is the slower pace of Wall Street deal-making which is reducing fee revenues for banks.

Mr McGillicuddy says Manufacturers Hanover has handled two successful leveraged deals this year, for Gulfstream and Saks Fifth Avenue. But he adds: "It tells you a lot when we're sitting here in the middle of May with just two deals."

In the late 1980s commercial real estate and HLTs together provided nearly three-quarters of all growth in domestic commercial loans. The collapse of Drexel Burnham Lambert and the junk bond market means that many of the banks' HLT clients have been unable to sell assets of companies acquired, thereby failing to generate the cash needed to service HLT loans.

At the end of the first quarter Citicorp displayed the highest level of non-performing HLT loans of the money centre banks, some $700m-worth, or 9 per cent of the portfolio. Citicorp's ratio of non-performing HLT loans, thanks to its aggressive drive for such business, is one of the highest in the US. This is one reason why the respected Grant's Interest Rate Observer recently argued that anxiety over Citicorp's balance sheet is "well-grounded".

The LDC side of the problem loan triangle is reckoned to be of the least concern since most big commercial banks have already taken substantial provisions on their Third World sovereign debt positions.

Citicorp, the biggest lender, is also the most criticised for having taken lower provisions than its peers, but Mr Reed says the rest of the banking community is wrong. He predicts,

Some bankers dismiss the real estate recession as a regional affair or a cyclical downturn of the sort the US has lived through before

boldly, that by 1992 he will be able to "take some of our LDC reserves back into the capital account". Citicorp has one substantial cushion not available to many of its competitors – Mr Reed's decade-long gamble on the retail banking division. The bank now derives 60 per cent of its core profits from consumer-related business. Few others have this kind of in-built safety net.

The Citicorp chief meanwhile agrees that the US banking system is weak and says the industry will spend 1990 "going through a significant adjustment". Mr McGillicuddy says it is going to be "a somewhat difficult year". Mr Thomas Labreque, president of Chase, says: "It's no secret that these are difficult times for the banking industry, and not only for Chase, but for everyone."

Mr George Salem of Prudential Bache, the best-known Cassandra in the banking business, goes further and warns that "we are in a period of maximum uncertainty where everyone will be bruised, everyone will suffer". He says, for example, that the real estate problem could be even more damaging for US banks than the LDC debt crisis because it affects a much broader range of institutions.

No one in the US banking community is forecasting a wholesale catastrophe, but nor is anyone sanguine about prospects over the next 12 to 24 months. The problem of battling a hydra is that it takes a long time.

OBSERVER

Bates on the Power list

■ Six months after Lord Marshall stormed out of the electricity industry, John Wakeham, Energy Secretary, has still not found a chairman for National Power, the larger of the privatised successors of the Central Electricity Generating Board which Marshall was to have headed.

It has not been for want of trying and there have been plenty of official hints that a favourite candidate was at last being pinned down. Now the Department says that the new chairman will be named in the next two or three weeks.

The latest name discussed in high electricity circles is that of Malcolm Bates, Lord Weinstock's number two at GEC.

When asked about it this week, Bates's office retorted: "complete rubbish". There were no denials (or confirmations) from the Department of Energy and National Power itself, both of which should know.

The Bates tipsters stick to their story and claim that the matter is now in the hands of the Treasury whence, if agreeable to both sides, it would pass to the Prime Minister for approval.

Other names mentioned in recent months as potential chairmen of National Power include those of Sir John Egan, of Jaguar, and Lord King, of British Airways.

Regional Duke

■ *A succession problem* in the wake of John Ashcroft's departure as chairman of the troubled Coloroll group has been solved. Business in the Cities, the charity that tries to persuade businesses to contribute to urban regeneration, has persuaded the Duke of Westminster to take over the chair of the North West Business Leadership Team.

Ashcroft started the team last year, having prevailed upon 20 leading industrialists to form a powerful lobby group for the region and spearhead significant projects. It differed from similar teams by being bigger in scale and ambition, covering a region instead of just a city or single conurbation. This appealed to heavyweight industrial leaders who did not want their time wasted by smaller projects.

Westminster is a committed regionalist. Last night he hosted a reception in Brighouse, West Yorkshire, to drum up support for Transpennine, the organisation which is trying to turn the M62 corridor from Liverpool to Hull into almost a country in its own right.

Lawson's flags

■ If you see the former Chancellor of the Exchequer hanging about collecting money around the Royal Exchange in the City tomorrow, it is all in a good cause. Nigel Lawson has agreed to sell flags – actually they're stickers – for the Royal Marsden Hospital's cancer appeal fund.

The £25m appeal was launched by the Princess of Wales in February. The money is needed to rebuild and extend the hospital's site in London's Fulham Road and at Sutton in Surrey. Lawson will be doing his bit on City Flag Day.

Wooden tips

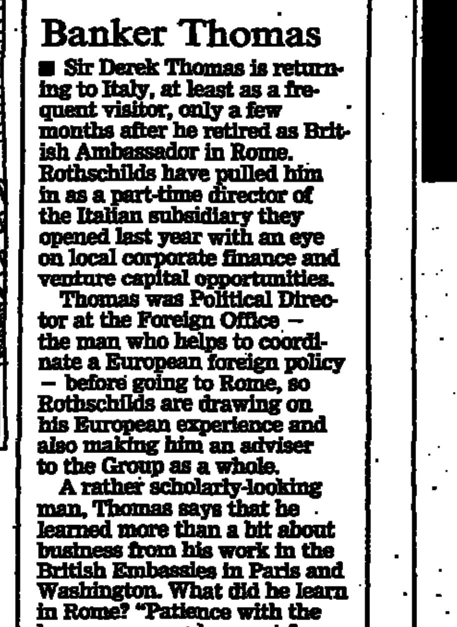
■ British, French and US aircraft makers are in a state of high tension over who will pick up the multi-million dollar pieces of Malaysia's decision to cancel its £400m order for 12 Tornado aircraft. The answer may lie in a little old shed in the garden of Dr Mohamed Mahathir, the Malaysian prime Minister.

Dr Mahathir, putting Malaysia's "Buy British Last" campaign behind him, came to Britain in September 1988 and signed a memorandum of understanding with Margaret Thatcher for a £1bn arms deal, the centrepiece of which was the Tornado.

It was not clear until the last minute whether Mahathir would sign the deal or whether the US General Dynamics F-16, the British Aerospace Hawk 200 (much cheaper than the Tornado) or the French Dassault Mirage 2000 would be chosen.

The F-16 seemed the favourite, partly because other South east Asian States were buying it and partly because the Malaysian Air Force was already equipped with A-4 Skyhawks and F-5 Tigers. Now the same companies have renewed hope.

That is where the garden shed comes in. Mahathir is a member of the British Guild of Carpenters and has kept up his hobby. When he came to sign the arms deal in 1988, he revealed that a visitor to his workshop could have discovered the choice of aircraft much earlier. He had spent many months painstakingly carving a perfect replica of a Tornado.



"I see you've been accusing people of handling explosives."

Banker Thomas

■ Sir Derek Thomas is returning to Italy, at least as a frequent visitor, only a few months after he retired as British Ambassador in Rome. Rothschilds have pulled him in as a part-time director of the Italian subsidiary they opened last year with an eye on local corporate finance and venture capital opportunities.

Thomas was Political Director at the Foreign Office – the man who helps to coordinate a European foreign policy – before going to Rome, so Rothschilds are drawing on his European experience and also making him an adviser to the Group as a whole.

A rather scholarly-looking man, Thomas says that he learned more than a bit about business from his work in the British Embassies in Paris and Washington. What did he learn in Rome? "Patience with the bureaucracy and respect for Italian business," he responds diplomatically.

Falklands' man

■ Lewis Clifton, the Falkland Islands representative in London, is to leave his post at the end of June. An affable man who has borne his load lightly, he will doubtless not be sorry to hand over the huge task of running the office to Sukie Cameron, his successor.

The job involves taking a hand in running the islands' lucrative fishery, handling delicate relations with companies from Taiwan, Japan and Korea, and liaising with the Foreign Office and MPs. Clifton has not yet been offered another job in the public service.

Fine distinction

■ Pub sign: "Good food and bar snacks."

Why Britain is the odd man out

Michael Prowse on local government funding in OECD countries and the lessons for Mrs Thatcher

"Holy Mackerel! She done wrong," exclaimed a taxi driver in New York recently when I attempted to explain the intricacies of Britain's community charge or poll tax.

My driver, a salt of the earth type in his early 50s simply could not grasp why Mrs Margaret Thatcher should want to charge all local residents the same tax regardless of their wealth or ability to pay. In New York, he explained, your property tax goes up if you so much as add an extra bedroom to your house.

In the short run, radical reform of the UK's controversial community charge appears highly improbable. The review committee set up by the Prime Minister is expected to defend the levy's underlying principles, but seek ways of softening its impact in the run up to the 1991-92 general election. In the longer term, however, Britain has much to learn from the experience of other industrialised countries.

The Government argues that the old rates – a tax on the estimated rental value of property – was intrinsically unfair and that other alternatives to the poll tax, such as a local income tax, would be impractical. Such arguments find little support abroad.

A recent OECD study* of 10 European countries concluded that local income taxes are the single most important source of local revenue. Property taxes rank second in importance, with special levies on businesses a distant third. Most of the countries surveyed relied on a mixture of income and property taxes. None was contemplating a British-style lump sum charge; indeed, Papua New Guinea is the only country known to operate a form of poll tax.

The study did not include Scandinavia where income taxes are overwhelmingly the most important local tax, accounting for about 90 per cent of local tax receipts. In Sweden, three-quarters of all income tax is raised locally. After tax reforms have been implemented, only 15 per cent of the population is expected to remain liable for national income tax.

In the US and Japan, local income taxes are less important, but still account for between 20 per cent and 30 per cent of local tax receipts. The US is notable for the diversity of its local tax base. A large – but varying – proportion of local revenue is raised from property and sales taxes. For example, in the early 1980s, property taxes accounted for about 95 per cent of receipts in Indianapolis, but less than 25 per cent in Philadelphia.

Sales taxes raise a large proportion of revenue in the US – up to 50 per cent in some cities. But they do not play a big role in Europe, partly for geographical reasons. In small countries, consumers can dodge such taxes by shopping in the areas with the lowest sales levies.

Companies have to pay property and income taxes in most countries but other local business taxes are comparatively rare. France and West Germany are exceptions. In France, the widely resented *taxe professionnelle* is the single most important local tax, raising about 45 per cent of local tax receipts. The balance is raised by three different property-based levies.

In West Germany, three-quarters of the revenue from the *Gewerbesteuer* or business tax accrues to local government, with the remainder split between central government and the Länder. The tax is responsive to local business conditions and yields about a quarter as much revenue as does VAT.

There are four species of local income tax in the industrialised world. West Germany, Spain and Austria operate "tax-sharing arrangements" whereby lower levels of government automatically receive a fixed share of nationally-raised tax. For example, in West Germany, the federal government and the Länder each get 42.5 per cent of income tax revenues; municipalities the remaining 15 per cent.

Belgium and Denmark operate a "piggyback" system involving separate tax rates. Local and central government share the same tax base, but local authorities can decide what rate of tax to levy on that common base.

A variant on this theme occurs in Japan and Sweden where state and local governments use the central government's income tax base but extend a separate set of reliefs and allowances as well as imposing their own tax rates.

The greatest separation of central and local taxation occurs in the US and Switzerland (both federal nations) where lower tiers of government determine both the base and rate of income tax. Indeed, in Switzerland, income tax used to be the exclusive preserve of the cantons: before the Second World War, the federal government was restricted to indirect taxation and customs duties.

There are also considerable variations in the nature of property taxes. In France and Spain (as in the UK before the abolition of the rates) taxes are based on the estimated annual rental value of property. But this approach is comparatively unusual. In most large OECD countries, including the US, Japan, West Germany and the Netherlands, property taxes are based on capital or market values. Bills thus rise broadly in line with the value of housing.

The second set of issues raised by recent UK reforms is the scope and autonomy of local government and the extent to which it should be self-financing.

By imposing a uniform business rate, the Thatcher Government has reduced the proportion of revenues controlled locally from about 45 per cent to little more than a quarter. This ratio looks perilously low by the standards of most other countries. Central grants are a fact of life nearly everywhere – they are needed to compensate for differences in local needs and taxable capacity – but local authorities in the UK do now appear abnormally dependent on Whitehall.

According to the OECD study, just over 40 per cent of local revenue is raised locally in Denmark and Belgium. The ratio is over 50 per cent in West Germany and France, about 75 per cent in Sweden and Austria and nearly 90 per cent in Switzerland. The self-financing ratio is also high in the US where federal grants are comparatively sparse. In Europe, Italy has the worst record with less than 10 per cent of local revenue raised locally.

During the past decade, the Thatcher Government has also imposed progressively tighter controls on local councils and attempted to restrict their responsibilities (although it was forced last year to give them a lead role in community care). This centralising trend appears to run directly counter to experience abroad.

In the US, the recent thrust of public policy has been to increase the role of state and local government. The OECD study notes that similar "new federalist" forces have been at work in continental Europe. In France, Spain, Belgium and Portugal "major measures of legislative and administrative decentralisation" were introduced in the 1980s.

In many other countries lower tiers of government have long enjoyed a degree of autonomy that seems unthinkable in Britain. This is sometimes a reflection of different political structures. In West Germany, for example, the autonomy of the Länder is constitutionally guaranteed, as is their share of overall tax revenue. In addition, the Länder enjoy direct representation in the Bundesrat, or upper house.

But a federal constitution is not a necessary condition for local autonomy. There is a tradition of local self-government in Sweden where municipalities and councils together account for nearly three-quarters of overall public spending and about 25 per cent of GDP. A wide range of public services is delegated by central government, including health care and primary and secondary education. Ironically, however, the ruling Social Democrats' efforts to stabilise the economy and curb the public sector have led to controversial restraints on local communities' freedom to set their own income tax rates.

British local councils' loss of autonomy is also partly a consequence of the central government's determination to restrain the overall growth of public spending. But there are deeper factors at work. Professor John Stewart, a local government expert at Birmingham University, argues that it also reflects the isolation of local councils and the nature of the voting system.

In the UK it is comparatively unusual for a local politician to switch to Westminster. But elsewhere such transfers are commonplace: a local leader in Sweden can move straight into the national cabinet; a state governor in the US straight into the presidency. In France, local and national politics are irretrievably mixed, with most national politicians also serving as local mayors. In most countries movement of officials between national and local civil services is also commonplace.

A poll tax, argues Professor Stewart, could not have been imposed in any country except Britain because local politicians elsewhere have far more clout in national parliaments. In the UK, politicians and officials based in central London feel they can "do what they like with local government".

The other big difference is the voting system. The Thatcher Government wanted to control local government partly because it disagreed violently with the priorities and policies of some left-wing councils. A first past the post voting system is particularly dangerous at local level because local populations are often rather homogenous: there is thus a high probability that one party will monopolise power for long periods.

A system of proportional representation in local elections, however, would prevent extremist councillors gaining office and reduce the scope for violent policy disagreements between central and local government. In the long run that would be good for local democracy.

It is dangerous to generalise from international experience. Swedish Kommuner, Swiss cantons, French *departements* and British local authorities are the product of very different histories. Yet there are several lessons for the UK.

The first is that centralisation is misguided: local authorities should be given greater autonomy and explicit control of a much larger proportion of their revenues. The second is that the poll tax was mistake: overseas practice suggests that a mix of local taxes, including a local income tax and a levy linked to the capital value of property, would be the fairest and most practical way to finance local councils.

The third lesson is that fiscal reforms should ideally be complemented by broader constitutional changes designed to strengthen the voice of local politicians and encourage a greater unity of purpose between different tiers of government in the UK.

* *The role of lower levels of government: the experience of selected OECD countries. By Jeffrey Owens and John Norregaard.*

Local taxes

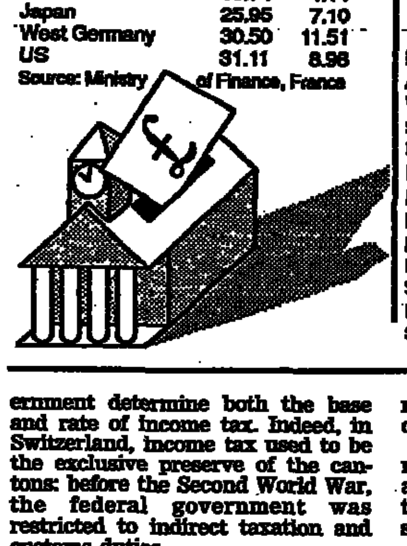
(1984)

① As per cent of all taxes and social security

② As per cent of GDP

	①	②
France	11.68	5.31
UK	10.74	4.14
Japan	25.95	7.10
West Germany	30.50	11.51
US	31.11	8.98

Source: Ministry of Finance, France



Measures of local autonomy and decentralisation (Early 1980's)

Local taxes as per cent of:
① Total local revenue
② Local expenditure

Local expenditure as per cent of:
③ Total public expenditure

	①	②	③
Federal countries			
Austria	75	53	18
West Germany	53	30	18
Switzerland	88	59	23
Unitary countries			
Belgium	41	23	14
Denmark	44	38	48
France	53	39	16
Italy	5	1	25
Netherlands	6	4	25
Spain	61	43	11
UK*	48	30	26

Source: OECD *Before introduction of poll tax

Local income taxes

(1983)

State and local income taxes:
① As per cent of total state and local tax receipts
② As per cent of total income tax receipts

	①	②
Tax-sharing		
Austria	39	36
West Germany	55	60
Spain	40	18
Separate tax rates		
Belgium	65	9
Denmark	91	54
Norway	88	76
Separate rates and allowances		
Finland	90	61
Japan	31	31
Sweden	93	76
Separate tax systems		
Switzerland	70	79
US	19	16

Source: Institute for Fiscal Studies

France's modest reforms

THERE is widespread agreement in France, as there was in Britain, that something needs to be done about the structures of local taxation. But the conflicting interests of rural councillors, big city mayors and busines ratepayers have so far prevented any root and branch reform, writes George Graham.

First in the firing line is the **housing tax, which supplies about a quarter of local government tax revenue and bears the closest resemblance to Britain's domestic rates system of any OECD country.**

An overhaul announced by Mr Michel Charasse, the Budget Minister, of the property valuations on which the housing tax is based, which have not been revised for 20 years, was generally welcomed.

"There are situations of flagrant injustice," says Mr Régis de Crépy, author of a report on the housing tax for the Economic and Social Council.

Mr de Crépy points to outdated valuation criteria such as the number of washbasins, noting that half of France's subsidised low-income housing is classified in the top third for luxury.

The solution proposed by Socialist majority MPs, with lukewarm acceptance by the Government, was, however, diametrically opposite to that of the UK: the replacement of part of the housing tax by a tax based on income.

Simulations carried out by the Finance Ministry showed that the reform would bring 5m people who now escape the housing tax into the tax net. Although the average bill would have been only about FFr300, fear of "the poll tax effect" prompted a hasty revision of the project.

The complexity of reforming local taxation is aggravated by the wide disparities between France's administrative units.

In addition to the 36,000 communes – as many as the rest of the EC put together, and one third of them with fewer than 200 inhabitants – there are 100 départements, broadly corresponding to counties.

The 1982 law on decentralisation introduced by the last Socialist Government not only transferred a wide range of executive powers to these administrations, away from the prefects appointed by central government, it also added a third layer with the creation of 22 regions.

Decentralisation gave substantial new powers to local elected officials, and the possibility of accumulating several elected posts firmly entrenched the power of a number of regional barons; Mr Jacques Chaban-Delmas, for example, managed to be at the same time mayor and MP of Bordeaux, president of the Bordeaux Urban Agglomeration and of the Aquitaine Regional Council. The share of local authority spending financed by central government has, however, steadily increased, amounting to nearly 30 per cent in 1988.

The Budget Ministry has come increasingly to view local government as an unsupervised handicap to its efforts to reduce the budget deficit.

The Government of Mr Michel Rocard appears determined, nevertheless, to proceed by modest adjustments, rather than by a grand reform of the whole of local taxation – still less of France's entire tax system.

"If there is one lesson to be learned from Mrs Thatcher's poll tax, it is that it is better not to try to turn the existing system upside down," comments one government official.

LETTERS

Understanding how the markets operate

From Mr John Eatwell.

Sir, The Labour Party's new policy document declares that "the market can be a good servant, but is often a bad master." Your editorial comment ("Labour and the economy," May 21) disagrees.

You assert that "a market is not an imposition upon the people; it is a name for exchange among them. If the market is a servant, so are the people – and the government is the master."

In these words you reveal not only a fundamental misunderstanding of how market economies actually operate, but also a woeful ignorance of the basic principles of economics.

A competitive market economy is not an aggregation of mutual contracts between people ("a name for exchange among them"), but a autonomous mechanism, operating outside the control of individual participants. As François Quesnay, the founder of modern economies, wrote in 1756, the market operates "independent of men's will."

That is why the subject of economics exists at all. Its role is to explain how that market mechanism actually works, how a myriad of individual decisions taken only in the light of market signals are co-ordinated by the invisible hand.

Proving the outcome to be efficient, even in some limited sense, requires mathematical assumptions too incredible to merit discussion – other than to point to the reality of market failure.

The elementary analysis of market failure suggests that, left to itself, the market will not ensure the socially desirable level of investment in education, in research, in infrastructure, or in the environment. In these cases the market is clearly a bad master.

And when next he is forced to modify his policies by the censure of the money markets, I am afraid that Mr Major will not be comforted by your belief that "if the market is a servant ... government is the master."

The FT should catch up with a modern understanding of what markets are about – or at least catch up with the economics of 1756.

John Eatwell,
Trinity College,
Cambridge

The need to develop Third World management expertise

From Mr Sunil Shah.

Your editorial comment ("Solutions for the debt problem," May 16) states correctly that the objective of solving the debt crisis remains as elusive as ever. You detail how the financial burden should be shared between the developing countries, international institutions and commercial banks.

Doubtless the servicing of foreign debt cripples a country's growth potential. However, I believe the core problem lies elsewhere.

It is generally accepted that the standard of living of most Africans has deteriorated during the past two decades – a period during which foreign funds were relatively accessible. The usual tendency was to provide unconditional finance to governments and entrust them with the responsibility of management. But this is precisely where expertise is inadequate.

Most Third World governments have little experience with project management. Resources have often been wasted in the pursuit of sub-optimal goals where tribalism has played more than a small part. Corruption within the official ranks is something we all know of but rarely talk about.

If the potential of Africa is to be realised, then a greater degree of supervision must be provided, both in the specification of the use of funds and in their implementation, right up to completion of the project.

Once we accept the fact that a dose of spoon-feeding is currently required, it will be easier to escape the poverty trap by developing the local management expertise that is necessary for economic growth.

Sunil Shah,
PO Box 43525,
Nairobi, Kenya

Disaster for the voluntary training agencies

From Mr Patrick Coldstream.

Sir, Almost every day now you are reporting distinguished voluntary agencies to be abandoning or drastically cutting the training they offer to their special clients. They are reacting to the sudden and violent curtailment of funds from the Government's employment training and youth training budgets.

The list so far includes the Spastics Society, the Scottish Association for Mental Health, Apex Trust, Fullemploy Group, South East Training in south London, White Horse Workshops in Tower Hamlets and the Government-inspired Information Technology Centres.

The Government fiat thus achieves the feat of extinguishing simultaneously much of the best provision for the physically handicapped, the mentally handicapped, ex-offenders, ethnic minorities, the poor, those with special needs and those from the most deprived inner-city areas. Is this the Government's intention and was Parliament properly informed by the Secretary of State for Employment that these would be the consequences of his budget? Or is it, on the other hand, simply a mistake?

The funding cuts are imposed almost without notice. South East Training with 350 trainees with multiple needs has been given four weeks to adjust to a 40 per cent reduction in its income. The quality of its work is not in question. I know our experience is typical of scores of smaller organisations across the country.

The Secretary of State has publicly promised negotiations; there have been none. In practise entirely inadequate funding is offered and organisations invited to take it or leave it, and to choose quickly. We are advised to turn to employers for help, which is wholly unrealistic.

This is a cruel disaster. The training effort laboriously built up by the voluntary sector over the past decade is the UK's best outreach effort towards those on the margins of the economy and often of society. It is our best hope of ensuring that our unemployed are enabled to leave dependency to join the mainstream of the economy.

Of course public expenditure must be controlled and budgets adjusted. Of course there may be some providers of training who are ineffective, inefficient or unnecessary. But time, a little more *money and calm* deliberation are needed now to review our real needs, and not damaging panic measures from the Department of Employment.

Patrick Coldstream,
Chairman,
South East Training,
3-7 Stamford Street, SE1

Reason for market rejoicing

From Sir Fred Catherwood.

Sir, Your editorial comment ("Much ado about nothing," May 19), like the curate's egg, is excellent in parts. But if the market believed that we were about to fix the pound in the exchange rate mechanism of the European Monetary System, why should it not rise? Business needs a fixed rate for the investment needed in new products to meet the 1992 deadline. With German unification, demand is likely to rise strongly.

If we are firmly fixed to currencies with lower interest rates, more companies will borrow in the currencies with the lower rates and our own interest rates will come down.

And if we are being paid salaries and wages in a pound fixed to low inflation currencies, we will not need settlements of 9 per cent to 10 per cent to cover inflation – and business will not be able to afford to pay them.

Of course, as your Spanish example shows, a year is not enough, especially if the margin is so loose and the currency so high that devaluation is still an apparent option.

But if sterling is fixed soon, before the next wage round puts another ratchet into the wage-price spiral and if we fix at a tight rate (or if it has to be a looser rate – at the lower end) then the Government has two wage rounds to allow the fixed rate to tame the wage-price spiral before the next election. And that, as the market saw, would be very good news indeed!

Fred Catherwood,
Vice President, European Parliament,
Shire Hall, Castle Hill,
Cambridge

FINANCIAL TIMES
Wednesday May 23 1990

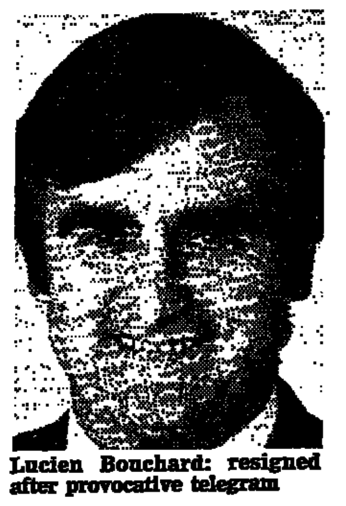
Canadian accord in doubt as minister quits

By Bernard Simon in Toronto and Robert Gibbens in Montreal

CANADA'S Progressive Conservative Government was thrown into disarray yesterday by the resignation of a senior cabinet minister and growing doubt about the future of its divisive constitutional reform package.

Mr Lucien Bouchard, leader of the Conservatives' Quebec caucus and a close friend of Prime Minister Brian Mulroney, submitted his resignation as Environment Minister in response to a furore over a provocative telegram he sent late last week to a rally of Quebec separatists.

Mr Bouchard's departure from the Government has raised questions about the loyalty of a number of other Quebec members. Two MPs have quit in the past week. It has also imperilled the Meech Lake accord, the constitutional agreement originally designed to make Quebec a full member


Lucien Bouchard: resigned after provocative telegram

of the Canadian federation but which in recent months has become a rallying point for separatists in the francophone province.

The collapse of the Meech Lake accord would make it much more difficult for Quebec and the rest of Canada to reach an accommodation and raise chances of a gradual fragmentation of the country.

The political uncertainty was mirrored in financial markets by pressure on the Canadian dollar, which fell yesterday from 84.89 US cents to 84.21 in late trading. The Bank of Canada intervened in support.

Mr Bernard Landry, the vice-president of the separatist Parti Quebecois, yesterday described Mr Bouchard's resignation as "favourable to our cause", predicting that about 10 Conservative MPs would soon follow his lead.

An opinion poll confirmed the sharp rise in separatist sentiment in Quebec, indicating that 53 per cent of francophones in the province support some form of separation from Canada, up from 40 per cent last November.

An ardent Quebec nationalist and former Canadian ambassador to France, Mr Bouchard threw caution to the wind with his telegram of congratulation to a PQ rally in his Quebec constituency.

The telegram coincided with last-ditch efforts by the Mulroney Government to salvage the Meech Lake accord, which has become a litmus test for Quebeckers of their acceptance by English Canada. The accord recognises Quebec as a distinct society within Canada and gives it a number of limited powers to preserve and promote that distinctiveness. The accord will die if not ratified by all 10 provinces before June 23.

Until recently, opposition to the accord centred on the three predominantly English provinces which have either refused to approve it or rescinded earlier ratification. Although the three – Manitoba, Newfoundland and New Brunswick – represent less than 10 per cent of Canada's population, they have an effective veto over the agreement.

But feelings in Quebec have been aroused by a parliamentary group's proposal last week that parts of the accord be qualified by a companion resolution.

Speaking in the House of Commons in Ottawa yesterday after his resignation, Mr Bouchard defended the Meech Lake accord in its original form but said that by using the parliamentary group's proposals as a basis for further negotiation "the Government is creating an alliance of those who want to see Quebec continue to be humiliated".

Canadian bonds, Page 32

Putting aid to the investment test

David Buchan and Lucy Kellaway find the European Commission's decision on state aid for Renault avoids the awkward questions

THE French Government and the European Commission may have patched up their immediate quarrel over Renault, one of the most politically sensitive state aid cases Brussels has had to address for years.

Left unresolved, however, is the wider question over the role of governments helping companies which they already own.

After getting a deal in which Renault is to repay or start paying interest again on a total of FFr6bn ($1.06bn) in aid from its majority owner, the French state, Sir Leon Brittan, the EC Competition Commissioner, made clear that Brussels' attitude to any future French government cash injections into Renault would be conditioned by the state of car market and by whether such injections were matched by Volvo, the new minority stakeholder in the French car company.

Sir Leon yesterday again rebutted accusations emanating from Paris over the past few months that in the Renault case, he was unfairly picking on a public sector company.

He stressed that he was following the Treaty of Rome's neutrality as between the private and public sector in the control of trade-distorting aids. "The only difference," he said, "is that in the public sector it is harder to distinguish what is investment and what is aid."

In the case of Renault, "there is now a touchstone in the form of a private investor", Volvo, which last month agreed to take an intitial 20 per cent stake in the French car company, possibly rising to 25 per cent within three years.

It seems likely, therefore, that Brussels will judge the French Government's future behaviour towards Renault very much by how Volvo behaves. The key for Brussels in determining whether state aid for a state-owned company is investment (perfectly permissible) or aid (probably pernicious) is, as Sir Leon put it in a recent speech, "whether a rational investor would make the same decisions in similar circumstances."

For rational, read private, since it is assumed by the Brussels competition directorate that private entrepreneurs and companies do not knowingly put their money into losing propositions, although governments may well do so for political or social reasons.

Carried to an extreme, this raises a paradox: state aid is acceptable as long as it is not needed. Mr Roger Fauroux, the French Industry Minister, yesterday picked up the paradox when he noted: "The Commission will not oppose a capital increase for a (state-owned) company that is doing well."

What point, Sir Leon was asked at his press conference yesterday, was there in companies being publicly owned if the state must behave just as hard-headedly as a private investor? He ducked the question.

In fact, Brussels will allow states to give aid to companies they own or control, provided they impose the sort of conditions that private investors would normally require such as restructuring and capacity cuts.

It was because Renault only carried out part of the car and truck plan closures that it had promised that Brussels demanded repayment of half the FFrs 12bn state aid it received. For the same reason, the Commission last year ordered Finmeccanica to repay to its owner, the Italian state, money that it had sunk into Alfa-Romeo, without demanding any restructuring and despite the fact that the car producer was then heavily in the red.

Even though he got Renault to repay only part of what Brussels had earlier demanded, Sir Leon said the agreement "reinforced the necessity for the Commission to maintain a strong policy on state aids."

He also warned that: "As we approach 1992 and other obstacles (to free cross-border competition) are removed, the tendency to fall back on state aids will increase, not diminish."

Having won at least partial victory in the Renault affair, Sir Leon's competition directorate is likely to continue to focus even more closely on the subtler ways in which state aid can be given to public sector companies – subsidised loans, tax relief, injections of equity capital, debt write-off, foregoing of dividends and acceptance of lower than normal rates of return.

Inevitably, it may accelerate the trend towards privatisation.

BNL linked to US grain export payments

By Alan Friedman in New York

A US Government investigation has uncovered evidence of unusual payments attached to US grain exports that were financed by the Atlanta, Georgia branch of Banca Nazionale del Lavoro (BNL), the Italian bank hit last year by a scandal over $3bn of unauthorised letters of credit for Iraq.

The investigation, by the US Agriculture Department, provides the first official hint that improper payments may have been made to the government of Iraq and employees of BNL.

The probe concerned a $750m portion of the BNL Atlanta loans which went in the form of Iraqi export credits for the purchase of grain and other agricultural products. The loans are guaranteed by the Commodity Credit Corporation (CCC) of Washington.

Investigators on both sides of the Atlantic believe the extra grain-related payments may have been used to finance part of an estimated $100m used by the Iraqis to set up both the Atlanta loan scam and to finance a network of agents in Europe and the US who were seeking to procure militarily useful technology.

The 33-page Agriculture Department report is couched in highly bureaucratic language and while it states that kickbacks are being investigated by the US Attorney in Atlanta, it does not specifically allege that bribes were paid.

The report reveals, however, that Iraqi state enterprises repeatedly requested "after sales services" from US exporters, some of them in the form of cash rebates.

The report states that "at this juncture additional investigation is merited to determine the precise extent of this practice."

Iraq's deputy trade minister has written to the CCC confirming that the Government has instructed all state enterprises not to make such requests in future.

The US report also says that Iraq tried to impose an unusual "stamp tax" in connection with US government guaranteed exports. The tax was apparently demanded by Iraq in connection with the issue of letters of credit and other documents.

In Atlanta, meanwhile, a grand jury is continuing its deliberations about suspects in the BNL case. The grand jury, which is focussing on possible bank fraud, bank reporting violations and possible kickback payments, is expected to bring indictments in the near future.

Members of the House Agriculture Subcommittee have complained that the Government has not acted on violations of the Agriculture Department's export credit guarantee programme.

Rover workers accept 24-hour production

By Diane Summers and Kevin Done in London

THE FIRST round-the-clock motor manufacturing in Britain looks likely to get under way in two weeks' time, following acceptance of new shift patterns yesterday by workers at Rover Group's Longbridge plant in Birmingham.

The company had threatened to impose the new shifts, which will mean 24-hour, seven-day working, following initial rejection by shopfloor workers earlier this month. At that time, union leaders described the deal as the best in the car industry anywhere in the world.

Yesterday's second ballot, which gave a two to one vote in favour of the package, followed a campaign of persuasion by both the company and unions to sell the deal to 14,000 production workers, many of whom will be required to work at weekends for the first time.

In return, some employees will be working average weeks of just 31½ hours – putting them on perhaps the shortest working week among car workers anywhere in the world. Ordinary day workers are to see their weekly hours reduced from 39 to 37.

Rover has said the new shifts were needed to justify investment in the plant: more than £400m ($676m) will go into the newly launched Rover 200 and 400 series cars and up to 1,200 jobs will be created.

The company is following closely in the wake of General Motors (Vauxhall/Opel) which became the first car producer to introduce 24 hour working at a European car assembly plant two years ago, when it started three-shift assembly at its Zaragoza small car assembly plant in north-east Spain.

GM has followed this experiment by moving last month to a similar 24-hour assembly pattern at its Bochum car plant in West Germany.

It was the first car producer to announce such a radical move in the Federal Republic, but it has been followed by Volkswagen, which has also introduced limited round-the-clock car assembly, as a temporary measure, at its main Wolfsburg car plant.

European car producers have been seeking far-reaching reforms of working practices at assembly and components facilities in an effort to increase production capacity to cope with record demand for new cars, without building expensive new greenfield site manufacturing plants.

A further move to new working methods and shorter overall hours came yesterday at three General Motors components companies in the UK, said unions. The AEU engineering union also claimed that a two-year deal worth 11.7 per cent in the first year and 1 percentage point over the Retail Price Index in the second had also been reached. GM refused to confirm that the package had been agreed.

Nato ministers announce strategy review

Continued from Page 1

West Germany has hitherto justified atomic arms as providing insurance against a conventional attack from the Warsaw Pact.

Mr Rühe's remarks imply that Bonn wishes to see a revision of Nato's present "flexible response" strategy – under which the alliance would meet a conventional attack from the east with a graduated retaliation, including ultimate recourse to nuclear weapons, if necessary.

The US has, meanwhile, agreed to consider proposals for forming station forces in West Germany into multinational groupings.

Washington insists that the question of forces in Germany should be discussed within the context of the Vienna conventional arms talks and not in the two-plus-four discussions on German unification.

However, officials said there was no plan to incorporate new proposals into the treaty currently being negotiated.

● Mr Hans-Dietrich Genscher, the West German Foreign Minister, meets Mr Eduard Shevardnadze, the Soviet Foreign Minister, in Geneva today to discuss Moscow's opposition to Nato membership of a united Germany.

The Soviet side has rejected the idea of a united Germany remaining in Nato. But a German Foreign Ministry spokesman said yesterday that Nato was studying ways of taking a less military posture in response to the weakening of the Warsaw Pact.

Nato officials confirmed yesterday that a Nato task force had drawn up provisional figures for allocating the Nato reductions resulting from a conventional arms treaty.

● Mr Tom King, Britain's Defence Secretary, said there was a risk that a ground-breaking accord on cutting east-west conventional forces in Europe (CFE) will not be signed this year because of Soviet hesitation, Reuter reports from Brussels.

His comment runs counter to widespread expectations that an agreement would be signed this year.

Nato has set such an agreement as a precondition for holding a summit of the 35-nation Conference on Security and Co-operation in Europe (CSCE) in Paris.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	23	73	Dallas †	S	16	61	Madeira	C	21	70	Prague	F	20	68
Algiers	F	24	75	Dublin	F	17	63	Madrid	F	22	72	Reykjavik	F	8	46
Amsterdam	S	16	61	Dubrovnik	F	22	72	Majorca	S	24	75	Rhodes	S	23	73
Athens	S	26	79	Edinburgh	F	15	59	Malaga	F	22	72	Rio de Janeiro		–	–
Bahrain	S	35	95	Faro	S	22	72	Malta	S	26	79	Rome	F	23	73
Barcelona	S	21	70	Florence	F	25	77	Manchester	S	16	61	Salzburg	F	20	68
Belfast	F	17	63	Frankfurt	F	20	68	Melbourne	F	12	54	S'Francisco †	C	15	59
Belgrade	F	24	75	Geneva	C	21	70	Mexico City		–	–	Santiago		–	–
Berlin	F	20	68	Gibraltar	S	25	77	Miami †	S	25	77	Seoul	C	19	66
Biarritz	C	17	63	Glasgow	R	13	55	Milan	F	23	73	Singapore		–	–
Birmingham	S	15	59	Guernsey	S	14	57	Montreal †	C	8	46	Stockholm	F	12	54
Blackpool	S	16	61	Helsinki	F	13	55	Moscow	C	15	59	Strasbourg	F	21	70
Bombay	F	33	91	Hong Kong	F	28	82	Munich	F	20	68	Sydney	C	16	61
Bordeaux	C	20	68	Innsbruck	F	21	70	Nairobi	C	23	73	Tangier	S	19	66
Boulogne	F	19	66	Inverness	F	15	59	Naples	C	24	75	Tel Aviv	S	24	75
Bristol	S	16	61	Isle of Man	F	15	59	Nassau		–	–	Tenerife	S	23	73
Brussels	S	19	66	Istanbul	F	17	63	Newcastle	C	15	59	Tokyo	S	24	75
Buenos Aires		–	–	Jersey	S	15	59	New Delhi	S	37	99	Toronto †	S	9	48
Budapest	F	23	73	Johannesburg	S	13	55	New York †	C	12	54	Tunis	F	28	82
Cairo	S	31	88	Las Palmas	F	22	72	Nice	F	21	70	Valencia	S	25	77
Cape Town	F	14	57	Leeds	F	17	63	Nicosia	S	25	77	Venice	C	21	70
Cardiff	S	16	61	Lisbon	F	20	68	Oporto	F	19	66	Vienna	F	20	68
Chicago †	S	9	48	Locarno	C	22	72	Oslo	R	9	48	Warsaw	C	19	66
Cologne	S	21	70	London	F	16	61	Paris	S	18	64	Washington †	R	11	52
Copenhagen	F	14	57	Los Angeles †	S	14	57	Peking		–	–	Wellington	S	15	59
Corfu	S	24	75	Luxembourg	F	20	68	Perth	S	17	63	Zurich	S	21	70

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Moscow acts on payments

Continued from Page 1

At the same time he admitted that the economic dislocation caused by the half-way stage of Soviet reforms had caused additional problems, while the seasonal nature of Soviet imports and exports – bunching imports in the first half of the year and exports in the second – had aggravated the payments crisis.

The statement on the priority organisation of payments was made by Mr Konstantin Katushev, the Minister for Foreign Economic Relations, at a meeting with Mr Renato Ruggiero, the Italian Foreign Trade Minister. Western exporters have accused the Soviet authorities of dealing with the backlog hitherto in a totally random fashion.

Mr Ruggiero said that the payments' problems were now holding up the entire range of trade contracts and plans approved on Mr Mikhail Gorbachev's trip to Italy last year, worth a total of some L10,000bn ($8bn) to L15,000 bn.

Mr Nosko would not give details of the Soviet government's export promotion plans, which could be a sensitive issue both domestically, where commodities exports would further exacerbate government unpopularity, and internationally, where sales of minerals could affect the world markets.

US warning on deregulation

Continued from Page 1

in US interest rates dictated by domestic economic conditions.

In a written response to queries from a Congressional committee released yesterday, Mr Mulford said that further increases in Japanese interest rates might "eventually be needed if inflationary pressures emerge in Japan, but at this time we do not think such pressures are serious."

"If US economic developments warrant a decrease in US interest rates, we would welcome the depreciation of the dollar against the yen which would be likely to occur", he added.

THE LEX COLUMN

A mechanism for winning votes

The bull bandwagon rolled on past 2,300 on the FT-SE yesterday as investors scrambled to get aboard before their destination paradise – entry into the exchange rate mechanism. Some of the shine was taken off an early 50-point rise by a dull showing on Wall Street, but for the moment all news seems to be good news.

But is ERM entry such a bonanza for the markets and the Conservative party? Good timing is essential. The Government needs to enter the mechanism close enough to the general election so that the pound is still in its honeymoon period within the system. That points, assuming that June 1991 is the earliest likely polling date, to ERM entry being delayed until December at least. Joining as soon as this July, as some are hoping, would risk the pound's stability being sabotaged by trade figures or inflation in the pre-election period, giving the Government the Hobson's choice of a realignment or a sharp rise in interest rates.

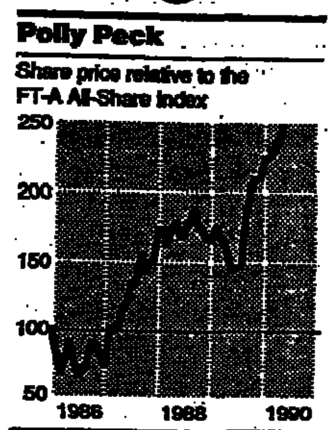
The right timing may well allow a Duke of York strategy on interest rates – march them down by 2 or 3 percentage points to bribe the mortgage payers in early 1991 and march them back up again straight after the election to mitigate the inevitable inflationary effects. It will then be a long hard grind as the British economy adjusts to life under the Bundesbank. As happened before in 1983 and 1987, the London equity market could have all its fun anticipating a Conservative election victory rather than celebrating it.

Wall Street

The rally in the UK equity market would look much more impressive, if it was not occurring in Wall Street's slipstream. The 10 per cent rise in the FT-SE 100 since the start of the month is only marginally better than Wall Street's performance, and if the Footsie rose by another 200 points its traditional trading relationship with the Dow Jones Industrial Average would only be returning to more normal levels.

One of the the big unknowns for UK equities is whether the gap will be bridged by a further rerating in London, or a retreat in the far more highly rated US market. Given that virtually all of the broader-based US stock market indicators have yet to break above their peaks of last October, the recent rally still looks rather narrowly based. Meanwhile, if US interest rates really have

Polly Peck
Share price relative to the FT-A All-Share Index



peaked, it is because the US economy is weaker than expected, and this can hardly be good news for corporate profits, which have fallen for three quarters in a row. Many economists remain far more sceptical than the equity markets about the prospects for the US economy.

British Airways

The stock market's reaction to yesterday's full year figures from British Airways was typically churlish. Yes, the £30m reduction in the aircraft depreciation charge was a surprise, and it is easy to strip out the £89m of "funnies" and show that the 29 per cent rise in pre-tax profits was a bit of a sham. Nevertheless, when set against most of its quoted competitors, BA's performance is nowhere near as bad. The dividend has been increased by 14 per cent, the balance sheet is in far better shape than it was a year ago, and the 6.9 per cent jump in passenger yields testifies to the undoubted improvement in BA's marketing skills.

If investors want exposure to a cyclical global airline industry where, unlike last year, capacity is almost certainly increasing faster than demand, BA is as good a bet as any. But notwithstanding a strong start to the year, it is far from clear that BA can push up its underlying profits in the current year, and there are plenty of higher yielding FT-SE stocks around with better dividend growth prospects.

Polly Peck

Mr Nadir is steadily making it harder for investors to feel anything but bullish about Polly Peck's prospects. Until recently, it was just about possible to worry about the £804m of net debt with which the company started 1990, in the wake of last year's takeover of Del Monte fresh fruit. It is hard to get a precise fix on where that figure is now, given that Polly Peck's 1990 capital spending will be at least £150m. But the string of recent deals, starting with its sale-and-leaseback of nine ships, and culminating in yesterday's electronics-related package, look as though they have brought the total down to about the £600m mark, perhaps half of that fixed at about 6 per cent.

This does not seem unduly high for a company which could make £225m of pre-tax profits in 1990 and has a 13 per cent tax charge thanks to things like the Famagusta freeport. As for yesterday's measures, the placing of 15 per cent of its Vestel consumer electronics subsidiary on the Istanbul Stock Exchange at a p/e of 16 is not what the London market was expecting, but the the rating and the £70m cash it will produce for Polly Peck are welcome nonetheless. But both that, and the planned injection of two other electronic subsidiaries into Sansui, also seem logical extensions of the idea of combining Sansui's brand and Polly Peck's distribution and low-cost production.

London United

The trouble with a shambles involving long-term US insurance liabilities is that interested parties start thinking there is no need to hurry about sorting it out. This syndrome may have been delaying market efforts to cope with the collapse of LUI, with a short-fall of perhaps £100m-plus in the reserves of its family of insurance companies.

Yesterday's news, that Price Waterhouse has been appointed administrators of LUI, is welcome. It should concentrate the London market's mind on finding both the money, and the mechanism, for settling LUI group's liabilities over the next 15 to 25 years or so. It is perfectly understandable if major composites, like Royal or Sun Alliance, feel no great urge to help clean up a mess they had no part in creating. But if UK and US insurance companies value the business they get from the big Anglo-American brokers, like Marsh & McLennan and Sedgwick, it makes business sense for the insurers to find some money now, to prevent LUI becoming a running sore for the brokers for many years.

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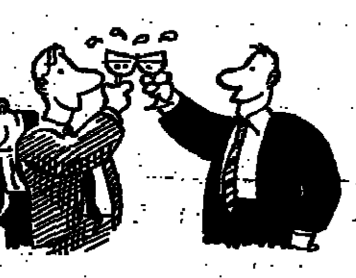
INSIDE

CGE dips into British waters



Compagnie Générale des Eaux, France's largest water supplier, yesterday confirmed that it owned a 2.3 per cent stake in one of Britain's largest water companies, North West Water. Générale, which already controls four of the much smaller statutory water companies in the UK, built up the holding last December when trading began in shares of the 10 newly-privatised former water authorities. Andrew Hill reports. Page 35

Finding a home for funds

Lewis Ranieri was the star attraction at a conference for institutional investors last week. However, he had little of good cheer to relate to his hosts, Fannie Mae, the public company chartered by the US Congress to channel funds to mortgage lenders. The man who created the $1,000bn US market in mortgage-backed securities talked about the *mammoth proportions* of the thrift crisis and what troubles may be in store for the market and for the future of home-building finance. Janet Bush reports. Page 32

Go-ahead for Rolls-Royce ADRs

An American Depositary Receipt programme for Rolls-Royce, the UK defence and civil aero-engine manufacturer, has been given the green light by the US Securities and Exchange Commission. Rolls-Royce shares have risen sharply in the last two months, leading to rumours of stake-building. An alternative theory has been that the forthcoming ADR programme stimulated interest among US institutions. Page 33

KHD sees the light

Klöckner-Humboldt-Deutz has seen some tough times, but the West German engineering company is optimistic that happier days are *fast approaching. The group is on target for a* much improved result in 1990 and plans to invest several hundred million D-Marks in a new diesel engine *plant.* Page 28

Oiling the wheels of finance

Phibro Energy, the commodity-trading arm of Salomon Brothers, is coming to market with a novel, tradeable, oil investment product modelled on the depletion of an oil field over a 10-year period. The product, Phibro Energy Oil Trust, which is dubbed a "synthetic oilfield," allows investors a relatively pure oil price investment. Stephen Butler reports on the latest product in the market for long-dated forward trading of oil. Page 40

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachener			
Muench	845	+	20
Rheinmetall Bsr	416	+	20
Falls			
Gerresheimer	318	−	14
Kraft Werke Rh	308	−	10
Metallgesell	614	−	11.2
Zanders Fein	334	−	12
NEW YORK ($)			
Rises			
Archer-Daniels	25⅜	+	½
Crane	28⅛	+	¾
Procter & Gam	79⅛	+	1¾
Timken	35⅛	+	1¾
Falls			
Compt Ass Inter	15½	−	⅝
Federal Express	46⅞	−	5¼
PARIS (FFr)			
Rises			
CMB Pack	203.8	+	13.8
Epeda	1320	+	73.9
Lafarge	475	+	21.4
Vallourec	401	+	22.2
Falls			
Pechiney Int	145	−	5.8
Rhone CI	415	−	14.5
TOKYO (Yen)			
Rises			
Hitachi Constn	1250	+	120
Hitachi Seiko	1280	+	110
Silver Seiko	915	+	75
Taiyo Sanso	1390	+	130
Toyo Bosaki	1650	+	170
Falls			
Sakakada	1870	−	200

LONDON (Pence)			
Rises			
AlphaEstates	50	+	14
Assoc Br Foods	395	+	6
BICC	430	+	14
Bass	1049	+	25
Berkeley Grp	182	+	5
Blue Circle	245	+	10
Burmah	617	+	23
Courtaulds	270	+	5
Dixons	131	+	7
Fisons	371	+	11
Goring Kerr	255	+	37
Legal&General	399	+	12
Next	72	+	5
North West Wtr	181	+	4
Ocean Grp.	350	+	11
P & O Defd	616	+	16
RMC	674	+	13
Rolls-Royce	220	+	6
Sainsbury (J)	282	+	7
Spearhawk	170	+	18
TACE	182	+	21
Falls			
Brit Airways	210	−	3

CSH plans cash or equity option

By William Dullforce in Geneva

CS HOLDING yesterday sought to assuage analysts' concern over two problems – the junk-related bridge loan exposure of CS First Boston in the US and the Swiss Federal Banking Commission's ruling, under appeal to the Federal Administrative Court, that Credit Suisse extend its prescribed capital adequacy provisions to cover the CS Holding group as a whole.

In March CS Holding (Netherlands) took over $250m of the $450m loan which CS First Boston had made to Ohio Mattress Company, now the Sealy Corporation. Mr Peter Kupfer, CSH board member, said that by closing down almost a third of its 42 manufacturing units and increasing capacity utilisation in the remaining plants, Sealy had achieved an impressive increase in cash flow, enabling it to meet its interest commitments.

CSH and Credit Suisse are arguing before the Federal Administrative Court that Swiss banking law could only be applied to Credit Suisse and its subsidiaries. CSH, a diversified financial services group, maintains that it is a new entity, the supervision of which should be left to the appropriate political authorities.

CS HOLDING (CSH), the parent company for the group which includes Credit Suisse bank, yesterday reported a 1989 net profit of SFr861m ($606m) and announced that it would offer shareholders a cash-or-securities option – which has special advantages for foreign shareholders – in place of a dividend.

In addition to its 99.9 per cent stake in Switzerland's third-biggest bank, CSH holds 44.5 per cent of CS First Boston, the global investment banking group, 45 per cent of Electrowatt, a Swiss electrical engineering company, 94 per cent of Fides, a trust and management consultancy business, and 100 per cent of a newly-established insurance company. CSH was restructured in May last year.

The net profit is 12 per cent higher than the corresponding *pro forma* figure for 1988 – an advance which was achieved despite the slump in net earnings at CS First Boston after it had made provisions against possible losses on its junk bond operations in the US.

CSH's 1989 cash flow at SFr1.84bn was ahead by 13 per cent. Credit Suisse contributed 85.3 per cent of the cash flow; about 10.7 per cent came from Electrowatt, 2.5 per cent from CS First Boston and 1.5 per cent from Fides. Instead of a dividend, shareholders are being offered an eight-month option of a cash payment of SFr110 per bearer share and SFr22 per registered share or the right to subscribe to a new share issue at par. The subscription ratio will be announced on June 28.

The options will be tradeable during the eight months and Credit Suisse will act as market-maker free of commission to shareholders. The option exempts foreign shareholders from the 35 per cent withholding tax they normally pay on their dividends.

Mr Peter Kupfer, a member of the executive board, said for CSH the option would also solve the conflict between paying a dividend and at the same time seeking to increase capital. Policy was to finance only a small portion of assets from outside capital but the recent decision to take over Bank Leu, Switzerland's fifth-biggest bank, generated a need for substantial new funds.

Taking Bank Leu's current market capitalisation of SFr1.4bn and adding extra finance for the two small banks which CSH is merging with Leu, it can be calculated that CSH needs between SFr750m and SFr850m.

Stressing the importance of the return on equity – 10.3 per cent in CSH – Mr Kupfer deplored the 1.2 per cent recorded last year by CS First Boston. Even with a substantial improvement in 1990, a quick return to the performance of previous years was unlikely, but in the medium term he expected its return to recover to more than 15 per cent.

Eurotunnelling their way out

David Lascelles on efforts by the company's managers to arrange fresh financing

Mrs Thatcher's Cabinet is expected to decide tomorrow whether to provide public money to help build the much-debated fast rail link from London to the Eurotunnel.

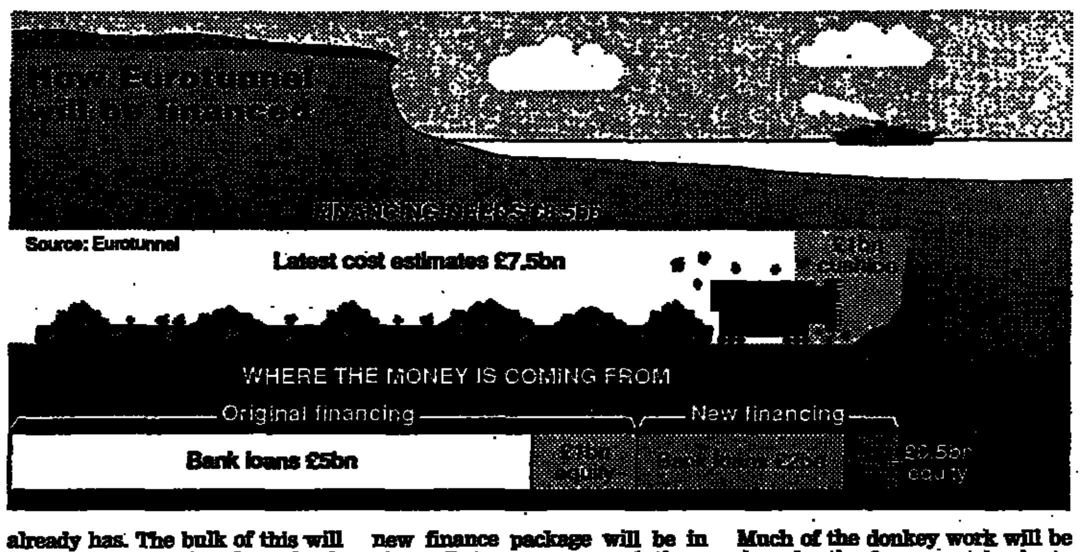
Earlier this week, Mr Cecil Parkinson, the Transport Secretary, seemed to imply in a speech that the UK Government is sticking to its view that the tunnel project must be entirely privately funded. So a negative decision will not come as a great surprise.

Nor will it necessarily damage Eurotunnel's prospects. The traffic forecasts on which the 30-mile tunnel is being designed do not include a fast rail link. So Government funding would be a bonus rather than something the project cannot live without.

None the less, the decision comes at a sensitive time for Eurotunnel, because it is on the point of finalising proposals for the fresh round of funding which it needs to cover its soaring costs. The company's executives are worried that a "no" from Downing Street will send out a negative signal to the 208 banks which will be providing more than two thirds of the finance.

This could be particularly true of the Japanese banks which account for the largest single portion of the bank loans, and which tend to seek comfort in gestures of official support. Mr Alastair Morton, Eurotunnel's chief executive recently completed a briefing trip to Tokyo where the *banks have plainly been worried* by all the bad publicity Eurotunnel has had this year.

Eurotunnel will be seeking about £2.5bn ($4bn) of new money on top of the £6bn which it already has. The bulk of this will consist of up to £2bn of new bank loans, bringing total bank funding up to £7bn. Up to £500m more will be raised from shareholders, bringing their contribution up to £1.5bn.



Source: Eurotunnel

This should then give Eurotunnel £8.5bn, allowing it a £1bn cushion over the latest cost estimate of £7.5bn. But this estimate does not contain contingencies for major disasters or "macro-economic" changes.

Until this money is in place, Eurotunnel will be technically in default on its loan agreement, which stipulates that it must always have enough funds available *to meet the* total estimated cost. The banks have already agreed a waiver until the end of this month, and they are shortly due to renew it until September when, it is hoped, details of the new finance package will be in place. Between now and then, Eurotunnel will be working to a tight timetable to complete terms for both the new bank loans and equity-raising. Each of these will be dependent on the success of the other.

The first step will come early in June when the agent banks for the lending consortium prepare a syndication memorandum with proposals for the new bank loan. This will be based on the new cost estimates, plus as yet unpublished revised traffic forecasts by the project's consultants. Mr Morton declines to discuss these forecasts because of their market sensitivity, but he says that details will be released when the memorandum is published.

Eurotunnel has to get a 90 per cent approval vote from the banks to increase its loan facility. Much of the donkey work will be done by the four agent banks to the consortium: NatWest, Midland, BNP and Crédit Lyonnais. They in turn report to 18 instructing banks which disseminate information to the entire consortium.

Generally speaking, the closer the banks are to the centre of the operation, the more positive they tend to be about Eurotunnel. So the agent and the instructing banks will form a view and then seek to persuade the other banks to support it. This is a time-consuming procedure requiring as much diplomacy as financial expertise.

Although the process has barely begun, the agent banks are embarking on it with some optimism. They feel that the bad phase in mid-winter when Eurotunnel had a public bust-up with its contractors and had to admit that costs were running out of control, are now past. The new management has settled down, and tunnelling is progressing quickly. The new traffic forecasts are also not expected to produce any nasty surprises.

Although there are bound to be some drop-outs in the new round of financing, there may also be some banks which want to increase their share of the loans. The expectation is that bank approval will be obtained by mid to late July.

Details of the equity portion will not become available until later, with the actual issue pencilled in for November, when French and British tunnellers are *due to meet up under the Channel.* Shareholders, however, will learn more at their annual meeting on June 27, when they will be asked to authorise additional shares.

The equity issue will be organised by Morgan Grenfell, the UK merchant bankers, and on the French side by Banque Indosuez. The choice of Morgan marks a switch from SG Warburg which handled Eurotunnel's original flotation. Mr Morton says this is because of his personal connection with Mr Rory Macnamara, a corporate financier who used to be seconded to Eurotunnel and has since returned to Morgan Grenfell.

However, the switch should bring an added benefit. Morgan is now owned by the Deutsche Bank, which is one of the leading Continental members of the Eurotunnel loan consortium. It is also a bank with views that many other Continental banks are likely to follow.

Schering breaks off talks with Sandoz

By Leslie Colitt in Berlin

SCHERING, of West Germany, and Sandoz, of Switzerland, have broken off negotiations aimed at creating an important agrichemicals joint venture.

Behind yesterday's short official statement, however, emotions between the two companies appear to be running high. "Sandoz suddenly said it wanted to make the agrichemicals venture dependent on co-operation in all other areas," said Ms Mechthild Weber, an official at the West German pharmaceuticals and chemicals company.

A member of Schering's supervisory board, however, put it more bluntly. "In the last stage, Sandoz tried to take us over – the whole shop," he said, with little attempt to disguise his incredulity.

Schering appeared so certain of a successful outcome to the negotiations that it put details on to the agenda for its annual shareholders meeting next month. The joint venture and all of its implications were set out in minute detail.

In Basle, Sandoz acknowledged rumours of an attempted takeover of Schering but would not comment on them. The Swiss company would only say that in the final stages of negotiations no agreement could be reached on "new fundamental aspects."

At the annual press conference of Sandoz last month, Dr Marc Moret, the Swiss group's president, said the negotiations with Schering had entered their "most difficult phase."

The agrichemicals joint venture would have been a marriage of two major producers of plant protection chemicals.

Schering last year had an agrichemicals turnover of DM1.4bn ($843m), while that of Sandoz totalled SFr1.1bn ($775m).

Overall, the Swiss pharmaceuticals and chemicals group had sales of SFr12.5bn and earnings of SFr958m last year. This compared with turnover of DM5.8bn at Schering and profits of DM225m.

Although in recent years Schering has built up a successful earnings record, it needs a partner to share rising research costs resulting in part from growing environmental pressures for less harmful pesticides and herbicides.

Schering would have brought into the joint venture its European market leadership in many plant protection agents, notably through FBC, its UK subsidiary. The Swiss company's strongest markets are in the US and Japan, where it sells 46 per cent of agrichemicals output.

LUI calls in administrators as attempts to raise capital fail

By Patrick Cockburn in London

LONDON United Investments (LUI), the UK insurance group, yesterday called in administrators, saying that efforts to rescue the company by raising fresh capital had failed.

The company's shares were suspended in March because six of its subsidiaries needed an extra £75m ($126m) to £100m in reserves to meet future claims.

The decision to call in the administrators marked the failure of attempts over the last two months to rescue LUI or at least to ensure an orderly run-down of its insurance business.

In a statement announcing its action, the LUI board said that after extensive discussions it had decided it could not raise the capital to start writing new insurance business. Talks will continue on what to do with outstanding insurance claims.

LUI emphasised that the appointment of administrators would not affect its two most important subsidiaries, HS Weavers (Underwriting) Agencies and Walbrook Insurance, though neither is doing any new business.

Without any income from its subsidiaries, LUI said it was unable to service its borrowings.

The administrators, Mr Colin Bird and Mr Alan Barrett, partners in Price Waterhouse, will continue talks with other parts of the insurance industry interested in preventing LUI's liquidation.

Brokers Sedgwick Group and Marsh & McLennan have mounted a rescue plan, but without much support. The brokers have devised a plan under which they, together with US and UK insurance companies, would put up £120m to meet future claims. Major UK composite insurers said last week, however, that they could not justify the use of *shareholders' funds to save* Weavers' policyholders.

The brokers are eager to avoid being sued by disgruntled policyholders whose insurance was placed through Weavers, once the largest writer of US liability business in the London market.

The fear that the US liability insurance in which Weavers specialised could not be placed in London has largely dissipated as other companies, and syndicates at Lloyd's of London, the insurance market, have moved quickly to fill the gap.

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Australia plans curbs on TV holdings

By Kevin Brown in Sydney

THE AUSTRALIAN Government yesterday announced plans to introduce a strict 20 per cent limit on foreign ownership of television networks. The decision came as a blow to all three commercial networks, and caused the Bond group to abandon a refinancing proposal that would have conflicted with the new rules.

Legal loopholes currently allow full foreign control of the networks. Mr Kim Beazley, the federal communications minister, said existing rules regulating programme contents were insufficient to protect the development of Australian culture from foreign influence.

Two of the three networks are up for sale because of the financial problems of their parent companies. Bond Media, a 52 per cent subsidiary of Mr Alan Bond's debt-laden Bond Corporation Holdings, was forced to abandon plans for an equity injection which would have led to between 30 and 35 per cent foreign ownership of the top-rating Nine network.

Mr Warren Jones, chairman of Bond Media, said the company would have to evaluate alternatives to the planned injection of more than A$200m ($154m) by CBS and Paramount of the US, TV New Zealand, and Mr Bruce Gordon, an Australian regional television entrepreneur.

However, the collapse of the recapitalisation proposals raises the prospect that a banking syndicate led by National Australia Bank may demand immediate repayment of a A$380m debt.

Alternatively, analysts said Mr Kerry Packer, head of Australian Consolidated Press (ACP), might bid for Bond Media, probably at a significantly lower price than his A$53m offer which lapsed earlier this year.

A winding up action brought by Australian Consolidated Press against Bond Media is due to be heard next month. ACP claims it is entitled to redemption of preference *shares* worth A$200m.

The announcement is also likely to increase the problems faced by the receivers of Mr Christopher Skase's failed Qintex Australia group in attempting to sell the second-rating Seven network.

The receivers have been searching for a buyer for several months. Mr Bob Campbell, chief executive of the Seven network, said a higher ceiling would have been beneficial for the long-term stability of the industry.

Northern Star Holdings, which controls the Ten network, was given three years to reduce foreign ownership from 44.1 per cent to 20 per cent. The Australian Broadcasting Tribunal, which regulates the industry, will have the option to extend the deadline.

INTERNATIONAL COMPANIES AND FINANCE

British Airways soars 28.7% to record £345m

By Paul Betts, Aerospace Correspondent, in London

BRITISH Airways reported record pre-tax profits of £345m ($583.5m) yesterday.

The results, for the financial year ended last March, compared with £268m the year before.

The 28.7 per cent rise in earnings was at the top end of the City's expectations. However, the shares closed 3p lower at 210p after analysts focused on the changed treatment of depreciation, based on longer estimates of aircraft lives.

BA's group operating surplus increased by 14 per cent to $634m in the last financial year. This compares favourably with major US airlines like Delta, whose operating surplus rose 6 per cent to $594m, and American Airlines, whose surplus fell by 30 per cent to $579m.

BA's earnings included a profit on the disposal of 16 aircraft, including the sale and lease back of 10 Boeing 737s. These profits more than offset losses from holiday travel activities.

The final quarter of the last financial year showed a pre-tax profit of £15m against a loss of £5m in the last quarter of the previous year.

Just over 25m passengers were carried by the airline on scheduled and charter services, a rise of 2.6 per cent over the previous year. Average passenger load factor on scheduled services increased to 71.5 per cent in the last financial year, from 69.6 per cent the year before.

Group revenues rose to £4.84bn (£4.26bn). However, fuel costs rose 30 per cent while staff costs, excluding the benefit of reduced pension contribution rates, increased by 16.8 per cent.

The airline said the current financial year had started on an encouraging note. But both Lord King, the chairman, and Sir Colin Marshall, the deputy chairman and chief executive, said competition was intensifying and that tight control on costs would be a key to profit growth.

Air traffic control delays cost BA £34m in the last financial year, Sir Colin said.

He welcomed the formation yesterday of a global action group by world airlines to fight airport delays.

The project, to be operated by the International Air Transport Association (IATA), is the brainchild of Sir Colin and will be headed by Mr John Meredith, a senior BA executive.

Foreign share ownership in the airline had increased by 10 per cent to 39 per cent, but Sir Colin said he was not worried by this level.

Earnings per share rose to 34.1p (24.3p). The BA board has recommended a final dividend of 6.05p per share making a total for the year of 8.85p (7.75p), a 14.2 per cent increase.

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Sock Shop closures to bring 150 job losses

By Nikki Tait in London

ADMINISTRATORS trying to sort out the affairs of Sock Shop International, the UK niche retailer, yesterday announced that they are closing more than half the group's UK shops and making 150 staff redundant.

"Summer trading has always been slow," said a statement from BDO Binder Hamlyn, the accountants appointed as administrators three months ago under the provisions of the Insolvency Act.

"Therefore we have taken the decision to close 58 loss-making shops in order to protect the profitable core of the business, which is based in London and six other cities."

Only last week, the accountants were granted a further three months to reach agreement with Sock Shop's creditors over proposals which might keep the company in existance as a going concern.

Yesterday, they reiterated that "lengthy negotiations" had taken place with certain parties, and discussions on the refinancing of Sock Shop were continuing. They declined, however, to elaborate on the precise shape of any schemes under consideration. The new deadline by which such proposals must be presented to creditors is August 21.

The 58 leasehold outlets being closed are spread across Britain and into Ireland.

The closures will leave the company with around 50 stores, based in London, Manchester, Leeds, Brighton, Bath, Cambridge and Canterbury.

Yesterday Mr Phillip Sykes, one of the administrators, said that the stores that would continue in operation were "by and large, profitable."

The redundancies are coming from both shop and head-office staff. Mr Sykes said staff were being given 14 days notice but redundancy costs would be mitigated by the fact that turnover in store staff tends to be high. Accordingly, not all those laid off would be entitled to redundancy money.

Sock Shop's shares, traded on the Unlisted Securities Market, were suspended at 34p in February.

KHD plans big plant investment

By Andrew Fisher in Cologne

KLOCKNER-Humboldt-Deutz, the West German engineering company which ran into severe financial difficulties four years ago, is on target for a much improved result in 1990 and plans to invest several hundred million marks in a new diesel engine plant.

Operating profits totalled DM40m ($25m) last year after losses of DM130m in 1988 and DM402m in 1987. "I am convinced these will be considerably better," Karl-Josef Neukirchen, the chief executive said. He declined to say whether they would reach DM100m.

Because of the costs associated with the sale of Deutz-Allis, its US farm equipment company, KHD turned in a group net loss of DM170m against a DM75m loss in 1988. It incurred asset write-down costs of DM282m on the US sale, though these were partly offset by German property sales.

Mr Neukirchen said the purchase of Allis Chalmers' farm machinery business in 1985 had since cost KHD around DM1bn.

He came to the group in 1987 to effect a recovery. The recent sale of Deutz-Allis to its management and a US investor group was the last stage in that process, he said.

To haul itself back into the black, KHD has shed activities with some DM1bn of turnover. Since 1987, debts have been halved to around DM900m, with a further big reduction under way this year, and the workforce has dropped by a third to 16,400.

KHD also recently disposed of KHD Luftfahrttechnik, its aero-engine unit, to BMW.

Mr Neukirchen said KHD would report a positive net as well as operating result in 1990. Shareholders will be asked to authorise new capital at the annual meeting, but a rights issue is unlikely before 1991.

The group planned to build a new plant near Cologne to produce its new water-cooled, environmentally friendly diesel engines. The cost would be "a few hundred million marks" and the plant would have a capacity of around 150,000 engines a year.

ABB to sell minerals business

By William Dullforce

ASEA BROWN Boveri (ABB) announced yesterday in Zurich that it had arranged the sale of C-E Minerals of the US to Imetal of France for around $150m. The deal is subject to approval by US regulatory authorities.

C-E Minerals, described as a leading supplier of alumina silica calcines and fused silica used in the refractory, casting and semiconductor industries, formed part of Combustion Engineering, the US engineering group, which ABB bought for $1.6bn last November.

The C-E Minerals sale is the second disposal of a Combustion Engineering company to be announced this month. On May 10 ABB said it was selling Georgia Kaolin to ECC, the former English China Clays group, for $520m. Georgia had a turnover of $170m in 1989.

A third sale is under negotiation. It concerns Sprout-Dauer, Muncy, Pennsylvania, which manufactures mechanical equipment for pulp and paper-making plants and processing machinery for the chemicals and plastic industry. Its annual turnover is around $150m.

ABB said immediately after taking over Combustion Engineering that it would sell off companies which did not fit into its core businesses. A spokesman in Zurich said no further disinvestments were scheduled for the time being.

Rescue for French scent group

By George Graham in Paris

COMPAGNIE Financière Edmond de Rothschild, holding company of one of the French branches of the Rothschild family, is to lead a rescue operation for the Carven perfume and fashion house.

Three Rothschild investment funds, together with a fourth fund managed by Société Marseillaise de Crédit, will take 60 per cent of Carven, with the remainder retained by Mrs Carmen Grog, the company's 81-year-old founder, usually known as Madame Carven, and by Mr Jean-Paul Roussel, its managing director.

Rothschild said it planned to reposition the Carven brand with a world relaunch of male and female ready-to-wear clothing, the definition of a new line of accessories in keeping with the house style, and the opening of a boutique in Paris.

Carven has recently been through a period of severe financial difficulties, accumulating FFr9.6m ($1.7m) of losses up to 1987 and plunging to another FFr12.5m loss in 1988, the latest year for which accounts have been filed, against an equity of FFr6m.

Rothschild would not disclose Carven's results for 1989, but said it expected to reach financial equilibrium in 1990.

The company is known principally for its Ma Griffe perfume, launched in 1946, which together with Vetiver accounts for nearly half total perfume sales.

Restructuring for Polly Peck

By Vanessa Houlder in London

POLLY PECK International, the fruit, electronics and leisure business, yesterday announced a complex restructuring of its electronics interests.

It is injecting Capetronics, a consumer electronics business and Imperial, an Italian television manufacturer – which together have been valued at Y79.8bn ($519.8m) – into Sansui, its Japanese consumer electronics subsidiary.

PPI will receive about £30m ($50.7m) in cash and will increase its shareholding in Sansui from 51 per cent to about 70 per cent.

In addition, Vestel, the Turkish consumer electronics subsidiary, is being floated on the Istanbul Stock Exchange at a valuation of £465m, making it the largest company on the market. PPI is selling 15 per cent of the business for £70m.

As a result of these moves and the recent sale of nine cargo ships, PPI's net debt will fall from 95 per cent at the year end to 65 per cent of shareholders' funds.

PPI's shares fell 2p yesterday to 431p, reflecting prior expectations of some kind of restructuring exercise.

Mr Asil Nadir, chairman, said the Sansui deal would significantly strengthen its capital base and help bring forward the date at which it could resume paying dividends. In addition, there were operational benefits from bringing the three companies together under a single management.

Mr Nadir said that PPI's increase in its stake in Sansui "would be seen as a reaffirmation of its faith in this company and wish to be a long term investor in Japan." Sansui, in which PPI invested £68.7m in January, was still on course to move into profit in the second half of 1990, he said.

Mr David Fawcus, finance director, said that the acquisition of Imperial and Capetronics would more than double the size of Sansui, which partly explained the decision to float Vestel separately rather than inject it into Sansui.

Mr Fawcus said that the company was considering spinning off its fruit interests into a listed company, but no move was imminent.

The price being paid for Capetronics, an OEM manufacturer based in the US, Taiwan, Hong Kong, Malaysia and China, is about nine times the £20.7m PPI paid BSR International when it bought it in October 1987. It made pre-tax profits of $25m last year and had net assets at the year end of $108m.

Imperial, which makes large-screen televisions, made pre-tax losses of $9.5m in 1989. It is now trading profitably.

Vestel, which was founded in 1984, is the largest manufacturer of consumer electronics equipment in Turkey. It made pre-tax profits of TL42.4bn ($16.6m) in 1989 and at the year end it had assets of TL122.4bn.

Speaking yesterday, Mr Nadir said that all divisions were progressing well – and the integration of Del Monte, the fruit business acquired last year, was going exceptionally well, with the establishment of a unified management structure in Europe.

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Kredietbank lifts profits 15.2%

By Tim Dickson in Brussels

KREDIETBANK, the major Belgian commercial bank, has boosted net profits by 15.2 per cent to BF4.98bn ($144.5m) for the year to end March. Not included in the figure are capital gains of BF965m, transferred directly to reserves.

Earnings per share rose just 5.8 per cent to BF383 as a result of a near 9 per cent increase in the number of shares entitled to a dividend.

The bank said narrower margins, brought about by the inverted interest rate structure, were offset by, among other things, a higher volume of activity and the sharp increase in dividend income. The overall results reflect Kredietbank's strong position in the face of increasingly keen competition, the bank added.

Costs were up by 8.1 per cent, due in part to exceptional charges for data processing and the capital increase, while the 10.6 per cent rise in depreciations and provisions to BF5.65bn is attributed mainly to the cost of the planned new head office.

Total lending went up 15.8 per cent to BF582bn, while deposits rose by 8.6 per cent to BF720bn. Balance sheet total was 9 per cent higher at BF1404bn.

Vard acquires Norwegian shipbroker

By Karen Fossli in Oslo

VARD, the Norwegian shipping and finance group, has acquired Norway's Bassoe, a leading international shipbroker, to form what is claimed as the world's first shipping and shipbroking company.

Under the deal, the 12 Bassoe owners are to acquire a 4.5 per cent stake in Vard valued at about $30m. In addition, Bassoe's owners will receive a bonus linked to the company's results.

The acquisition boosts Vard's net worth to about $600m, of which $8m is contributed by the acquisition of Bassoe.

In 1989, Bassoe achieved net profits of $7.5m. The company's client base comprises mostly Norwegian shipowners, together with Far Eastern interests, particularly South Korean oil companies and charters.

Vard is to seek a listing on the London Stock Exchange next month.

INTERNATIONAL COMPANIES AND FINANCE

Boost in profits for Japanese textile trade

By Martina Gannon in Tokyo

JAPANESE textile manufacturers boosted their pre-tax profits in the year to March, aided by stable material costs and the decline in the value of the yen.

Mitsubishi Rayon – which is big in optical fibre and will this month pay about Y6bn for Newport Composites, a California-based carbon fibre maker – reported a 40.3 per cent pre-tax profit rise to Y12.8bn ($83.4m).

The group had a sales gain of 28.8 per cent to Y257.9bn in the year.

Its net income was Y5.6bn, from Y4.3bn in 1988.

Pre-tax profits of Kuraray – a leading manufacturer of synthetic leather – rose 48.5 per cent to Y15.3bn over the same period. The result partly reflected its merger with Kyowa Gas Chemical Industry last October.

Its sales were up 10.9 per cent to Y234.2bn and net income was Y7.3bn, compared to last year's Y2.6bn.

Teijin, Japan's leading polyester manufacturer, which has joined two US companies in a biotechnology development, reported a pre-tax profit gain of 11.7 per cent to Y39.8bn in the year. Its net income was Y21.3bn, up 22.4 per cent. Sales totalled Y305.6bn, down 2.1 per cent due to a change in the accounting system, but were up in real terms, the company said.

The Japanese textile industry expects the current growth level to continue throughout 1990. Mitsubishi Rayon foresees a pre-tax profit gain of 9.3 per cent to Y14bn and Kuraray of 24.1 per cent to Y19bn. Teijin, planning to absorb three subsidiaries in October, expects flat pre-tax profits of Y39bn.

● Wacoal, Japan's main manufacturer of women's underwear, had annual pre-tax profits of Y14.2bn, a 5 per cent increase. Sales rose 5.3 per cent to Y113.6bn, and net income was up 6.5 per cent to Y6bn as demand for high-priced goods flourished.

The company is increasing its overseas operations, particularly in Europe. It will pay a dividend of Y15 per share, including Y1.5 to commemorate its 40th anniversary.

Wacoal, which expects a slowdown in the economy and increasing imports in the current year, estimates an 11 per cent drop in pre-tax profits to Y12.8bn.

Bond Brewing gains time on debt

By Kevin Brown in Sydney

BOND BREWING Holdings, a subsidiary of Mr Alan Bond's troubled Bond Corporation, yesterday dropped a High Court action for damages against a banking syndicate led by National Australia Bank (NAB) in return for a further four months to repay debts of A$880m (US$671.8m).

The agreement is part of a complex deal announced in the High Court in Victoria ending six months of legal wrangling which began when the NAB syndicate attempted to have Bond Brewing put into receivership for non-payment of the debt.

The deal clears the way for the completion of the sale of Bond Brewing to Bell Resources, an independently managed 58 per cent subsidiary of Bond Corporation, as part of the group's asset disposal programme.

Bond Corporation and Bell said in separate statements that they had agreed terms for the completion of the sale. Bell has already paid a deposit of A$1.2bn for the brewery interests, which include the Tooheys, Swan and Castlemaine XXXX brands.

NAB said managerial control of Bond Brewing would be transferred to KPMG Peat Marwick, the accountancy firm, until the sale is completed.

The notional sale price, which was not disclosed, is understood to be A$1.85bn. However, Bell will make no further payment to Bond Corporation because of other claims against Bond group companies, believed to exceed the sale price by around A$320m.

Bond Corporation *said this* debt would be secured against its asset disposal programme, and would be repaid as soon as possible. Bell said Bond Corporation would have until January 31, 1993, to complete repayment of the debt, provided 75 per cent was repaid by next January.

NAB said it had given Bond Corporation until September 30 to repay the A$880m owed to the banking syndicate.

However, the deal allows Bond Corporation a further year to repay the debt if it succeeds in completing the sale of Bond Brewing by July 31. If the sale does not go through, and Bond Brewing does not repay the debt by September 30, the syndicate retains the right to have the company liquidated.

The agreement also provides for the syndicate to make a line of credit available for Bond Brewing to fund the re-purchase at a discount of US$510m in debentures held by US investors. Bond Corporation said the re-purchase would be at "prices approximating the current prevailing market prices," of between 40 and 60 cents in the dollar.

Mr Peter Lucas, a Bond Corporation director, said he was confident the debentures could be repurchased at close to market prices.

Bell Resources said its arrangements with Bond Corporation were in the interests of all shareholders.

JVC lifts net income to Y18.4bn

By Martina Gannon

VICTOR Company of Japan (JVC), the country's leading manufacturer of video cassette recorders, lifted consolidated net income 22.6 per cent to Y18.4bn ($119.8m) for the year to March.

The rise was attributed to the yen's depreciation in 1989 and increased sales of high value-added products.

Sales rose 6 per cent to Y866.5bn. Sales of stereo equipment for commercial use and pre-recorded video tapes were robust and, in the domestic consumer market, cordless telephone answering machines and high-resolution colour television sets sold well.

On a non-consolidated basis, JVC reported a 15 per cent rise in pre-tax profits, to Y24.1bn. Sales were down 1 per cent to Y618.4bn, as domestic competition intensified.

Due to a change in the group's accounting period, the 1988 year was 10 days longer than the latest period.

JVC foresees a 3 per cent rise in total net income to Y19bn and a 2 per cent sales gain to Y890bn in 1990. It *expects parent company pre*-tax profits of Y25bn and sales of Y640bn.

● Consolidated net profits of Olympus Optical, the camera and optical equipment maker, rose 25.5 per cent to Y8.88bn in the year to March, AP-DJ adds.

Turnover climbed 14.4 per cent to Y219.2bn. The yen's weakness helped, as exports form some two thirds of sales.

Islamic equities fund launched

By Victor Mallet in Dubai

ABU DHABI'S National Investment and Securities Corporation (Niscorp) yesterday launched a $40m Islamic investment fund for equities in association with Morgan Stanley of the US.

Morgan Stanley is the adviser and will carry out the equity trading, Niscorp officials say, adding that the new fund is a rare example of a partnership aimed at Islamic investment between a Gulf institution and a western company.

Niscorp is owned by a consortium of investors, including members of the Abu Dhabi ruling family.

Niscorp officials said they hoped to improve on typical annual returns from other Islamic funds of between 8 and 12 per cent, although monitoring the suitability of investments is a complex task.

The Niscorp fund has received approval from Cairo's al-Azhar institute and is to be supervised by a committee of scholars.

The new company, Islamic Fund (Equities), is registered in the British Virgin Islands. It will be open to all but US and UK clients and will avoid investing in companies directly associated with un-Islamic products and services such as alcohol, pork, gambling, pornography, and payment or receipt of interest.

It will not therefore invest in fixed-income instruments or secular financial institutions such as banks and insurance companies.

ABC offers 25m shares at $14 each

By Stephen Fidler, Euromarkets Correspondent

ARAB BANKING Corporation (ABC), the Bahrain-based international bank, has priced its international offering of 25m shares at $14 each, Credit Suisse First Boston said on behalf of underwriters.

The offering, fully underwritten by 34 international institutions, will raise about $325m after fees and expenses.

ABC, the first Gulf-based institution to offer shares to non-Arab investors, plans to list the new shares on the Bahrain, Kuwait and Paris stock exchanges. ABC is currently one third owned by the governments of Kuwait, Abu Dhabi and Libya. After waiving their pre-emption rights in order to allow the issue to go ahead, they will each have a one-quarter share.

Yamaha Motor up 21%

By Martina Gannon

YAMAHA MOTOR, the world's second largest motorcycle maker, boosted its pre-tax profits by 21.2 per cent to Y7bn ($45m) *in the year to March*, as sales of luxury goods rose and the value of the yen depreciated.

At the rival Suzuki Motor, however, profits rose only 6.6 per cent pre-tax to Y15.8bn, as domestic sales of minicars – the group's mainstay – fell 7.8 per cent.

Yamaha reported sales for the year of Y415.9bn, up 6.5 per cent, as demand for high-profitability items like leisure boats and other marine sporting goods grew. Exports accounted for 56.4 per cent of total sales.

The company's net income was Y2.6bn, down from Y3.8bn, due mainly to a higher tax bill.

Suzuki had foreign exchange gains of Y3bn thanks to the yen's *falling* value, *but its net* income was down 18.6 per cent to Y7bn. The company's total sales grew 3.3 per cent to Y843.6bn, as it attempted to offset falling minicar sales by boosting marketing of other car lines.

The group will cut capital spending 6.5 per cent this year to Y57.5bn. It foresees sales of Y900bn and pre-tax profits of Y20bn, up 26.5 per cent.

Yamaha will increase capital spending to Y25bn in 1990, aiming for a rise of 21.4 per cent in pre-tax profits to Y8.5bn and sales of Y440bn.

Sharp reverse at Fed Volks

By Philip Gawith in Johannesburg

FEDERALE Volksbeleggings, the industrial holding company which is part of South Africa's Sanlam stable, suffered a reversal of fortunes in the year to March, with pre-tax profit down 27 per cent to R202.3m ($76.6m).

Turnover increased 13 per cent to R3.83bn, but margins were under pressure and finance charges rose 89 per cent to R130.7m reflecting higher interest rates and overstocking. Poor performances at Fedmech in agricultural equipment and Tek, in domestic appliances, also contributed.

INTERNATIONAL COMPANIES AND FINANCE

Microsoft launches its challenge to Apple

By Louise Kehoe in San Francisco

MICROSOFT of the US yesterday unveiled a software program designed to change radically the way IBM-compatible personal computers are used by replacing typed commands with graphic symbols of computer functions.

The program, Windows 3.0, which will pose a challenge to Apple Computer, is being hailed as a milestone in the history of the personal computer industry.

It will expand Microsoft's leadership in the personal computer software market and make IBM-compatible personal computers much easier to use, industry analysts predicted.

Analysts estimated that sales of Windows and related products could boost Microsoft's revenues by as much as $500m in its next fiscal year. In fiscal 1989, Microsoft reported revenues of $803.5m, making it the world's largest personal computer software company.

Windows is designed to run on personal computers powered by the Intel 286 and 386 microprocessors and, according to analysts, about 30m of these computers are in use.

The program provides a graphical user interface for IBM-compatible personal computers similar to Apple's Macintosh personal computer. Instead of typing arcane commands, users simply point to symbols on the computer screen to select functions. The screen is divided into multiple sections, or windows, in which several application programs can be displayed simultaneously.

The launch represents a major challenge for Apple Computer. Several of Apple's strongest competitors in the personal computer market are expected to offer Windows free to new computer buyers. Microsoft will also offer the program at a US price of $149 to individual purchasers.

Computer makers believe Windows will boost sluggish US personal computer sales.

But if Windows lives up to industry expectations, it will raise serious questions about the potential for OS/2, Microsoft's second generation personal computer operating system which will also incorporate a graphical user interface. OS/2 could be usurped by Windows.

Mr Bill Gates, 34, chairman and co-founder of Microsoft, launched Windows 3.0 in New York at an event relayed round the world by satellite. The company is expected to spend $10m on advertising the program over the next few months.

Deere boosts earnings by 10% in second quarter

By Martin Dickson in New York

DEERE & Company, the world's largest manufacturer of farm equipment, announced a 10 per cent rise in second-quarter net income as it continued to ride the recovery in the US agricultural industry.

Net income totalled $144m, or $1.90 a share, on sales and revenues of $2.12bn, compared with $130.5m, or $1.74, on sales of $1.95bn last year. The figures were broadly in lines with market expectations.

Worldwide equipment operations, which exclude financial service subsidiaries, lifted net income 12 per cent to $113.2m. Deere attributed this to North American operations, which saw increased sales, higher production volumes and improved operating efficiency. In addition, last year's first-half results were hit by the start of production of new combines and large tractors.

The group, often cited as one of the best-run companies in the US, said North American retail sales of agricultural equipment remained strong in the quarter. Domestic retail sales of lawn and ground-care products were also higher.

Despite lower construction activity in some areas of North America, demand for industrial equipment had also been higher as was overseas demand for farm and industrial equipment.

UAL employees woo Goldman

By Martin Dickson

EMPLOYEES attempting a $4.38bn buy-out of UAL, the parent company of United Airlines, are negotiating to hire Goldman Sachs, the Wall Street investment bank, to boost their fund-raising efforts.

The buy-out is regarded as a particularly tough test of the current climate towards highly leveraged bids, which have fallen out of favour with the collapse of the junk bond market and tighter regulatory pressures on problem loans.

Attempts to raise up to $4bn in bank financing for the deal have been led until now by Salomon Brothers, an advisor to the UAL pilots' union, one of the employee groups involved in the buy-out.

An employee spokesman said yesterday discussions were taking place with Goldman – which has a particularly strong record in merger and acquisition work – to bring more financial fire power to the deal.

He denied this meant the bid was making slow progress and said a second investment bank had always been planned for such a large and complex deal.

However, analysts noted that the buy-out, which would create the largest employee-owned company in the US, faced numerous hurdles, not least the appointment of a new chief executive who could present a credible face to potential bank lenders.

The new chief executive would take the place of Mr Stephen Wolf, UAL's chairman, who organised an abortive buy-out last year, and opposed the employee bid.

The employees have been given four months to get financing for the bid. The timetable runs out on August 9.

Procter plans move into eastern Europe

By Alan Friedman in New York

PROCTER & GAMBLE, leading US household products and personal care manufacturer, is in talks with potential partners to develop its business in eastern Europe and plans to set up an office in Moscow.

Mr Edwin Artzt, P & G's chief executive, said a team of managers had been sent to Poland, Czechoslovakia and Hungary to establish its consumer products business.

He said the main hurdle to setting up operations in eastern Europe was the establishment of a tradeable currency in those markets.

The P & G chief meanwhile forecast results to the June 1990 year-end that would show strong growth in volume and earnings. The Ohio-based company made $1.21bn net income on $21.4bn sales in the year ended June 1989.

The detergents division would post a 15 per cent rise in unit volume this year. Hair care products revenues would be up 12 per cent higher and diapers about 10 per cent.

He expected annual earnings of $3bn on worldwide sales of $50bn within this decade.

Bombardier ahead in first quarter

By Robert Gibbens in Montreal

BOMBARDIER, the Canadian aerospace and transport equipment maker, saw only a small increase in profits in the first quarter after a strong rise in sales.

The group's first-quarter earnings edged ahead to C$23.4m (US$19.8m) or 34 cents a share, up from C$21.4m or 33 cents on fewer shares outstanding in the corresponding period last year.

Sales for the three months jumped to C$540m from C$364m last time.

The latest period's figures included the sales of Short Bros and ANF Industrie, the French rail equipment manufacturer, and these accounted for most of the increase.

Analysts said it would take some time for these subsidiaries, acquired in the past year, to contribute meaningfully to profits.

The directors of the company said that all product groups, with the exception of Snowmobiles, turned in a satisfactory performance.

Markets cool on Nova's rubber unit sale to Bayer

By Bernard Simon in Toronto

NOVA Corp's sale of its rubber business to the West German chemicals group Bayer received a lukewarm response from the investment community as doubts persist about the Alberta company's ability to cope with a large debt burden and the weak prices for some of its products.

Nova's share price rose only fractionally on the Toronto Stock Exchange yesterday, despite the energy, petrochemical and pipeline company's confidence that the US$1.06bn sale has greatly eased its financial pressures. In early trading, the shares advanced by 25 cents to C$8.38, but a block of 1.9m shares changed hands at C$7.25.

The sale price for the rubber division was well above analysts' expectations, but Ms Eleanor Barker, petrochemicals analyst at McCarthy Securities in Toronto, said yesterday: "We're still talking about a company that has very serious problems."

Ms Barker singled out Nova's heavy capital spending commitments on its Alberta gas pipeline network, its generous dividend and weakness in petrochemical and energy markets. She predicted Nova's 1991 cash flow would still be well below current dividend obligations.

As part of the rubber deal, Bayer is to assume about C$230m (US$195m) of the division's debt and trade liabilities. With the sale negotiated in US dollars, the proceeds to Nova in Canadian dollars could increase if the Canadian currency weakens, as is expected before the deal closes, probably in August or September.

Nova expects the sale to reduce the debt of its non-pipeline business from C$2bn to C$500m. The company's total debt stood at C$3.8bn at the end of 1989.

Mr Bill Wilson, chief financial officer, said the company was pressing ahead with other debt-reduction measures, including the possible sale of its 43 per cent stake in Husky Oil of Calgary, whose controlling shareholder is the Hong Kong magnate Mr Li Ka-shing.

There is concern in the investment community, however, that bids for Husky and other assets on the block will be disappointingly low.

Monsanto and Exxon in thermoplastics merger

By Karen Zagor in New York

MONSANTO Chemical and Exxon Chemical yesterday agreed to merge their thermoplastic elastomers (TPEs) businesses into a free-standing company which will develop, manufacture and market TPEs.

The new company, which like Monsanto will be based in St Louis, Missouri, will be managed on a 50-50 basis, although the details of the deal have not been worked out. The target start-up date has been set for the end of this year.

TPEs are high performance rubber-like materials which are used in engineered industrial rubber and soft plastic applications in many industries.

Industry sources expect the new company to produce about 36,000 metric tonnes of TPEs a year with sales of more than $100m. Monsanto alone is estimated to have TPE sales of $100m for 1990.

Monsanto says global TPE consumption is more than 600,000 metric tonnes or $1.6bn a year and is growing at an annual rate of about 10 per cent.

In the US, the business has been hit by overall weakness in the automotive industry.

Monsanto has TPE manufacturing and technical facilities around the world that would become part of the newcompany.

INTERNATIONAL CAPITAL MARKETS

MoF ready to authorise Globex for use in Japan

By Barbara Durr in Chicago

THE Japanese Ministry of Finance has indicated it is ready to approve the Chicago Mercantile Exchange's Globex electronic trading system for use in Japan sometime in June.

The message comes after wide-reaching talks between MoF and US officials on trade between the two countries.

CME officials have worked hard to win Japanese approval, with frequent trips to Japan. Mr Leo Melamed, chairman of Globex at the CME, said that he was delighted with the decision.

The Japanese have said they are willing to allow installation of Globex terminals by the end of June, which has been advertised as the launch date for the system.

But the start of Globex, which has been postponed many times, is now likely to come later in the summer, according to CME officials.

Britain, France and Australia have already approved the use of Globex terminals.

Globex will be the first worldwide automated system for trading futures and options.

It will operate when Chicago's floor trading hours are over and partner exchanges will have their products listed on the screens as well.

Globex has been developed by Reuter, the premier international financial information company, for an estimated cost of about $80m.

Now that the CME has won approval for Japanese use of Globex, pressure is added to the talks between the CME and the Chicago Board of Trade, which has been developing its own electronic trading system.

The two Chicago exchanges, which dominate world trading in futures, have been in discussions on unifying their two systems for a year.

Atlas Copco places first equity offer under 144a

By Deborah Hargreaves

THE launch of an international stock issue for 4m B shares in Atlas Copco, the Swedish heavy equipment maker, marks the first equity placement to be made under the US's newly liberalised private placement rules.

Some 20 to 25 per cent of the £125m Atlas offering will be placed in the US under 144a rules – the attempt by the Securities and Exchange Commission to create a professional market fairly free from regulation.

The selling period for the Atlas issue extends until Friday, but lead managers say placement is going so well, the issue will probably be closed early. Proceeds from the share placement will be used by the company to pay down debt associated with recent acquisitions and to fund future bids.

Atlas is a leading manufacturer of compressors as well as construction and mining equipment and recently acquired the UK Suter. The equity issue is divided into six groups which will sell shares into the UK, US, Switzerland, Germany, France and the rest of the world.

Pricing of the shares will be set by a formula and will be the lower of the average bid price over the selling period or the closing bid price less a discount of 1½ per cent.

● British Aerospace last week completed a $100m private placement of debt securities, one of the first in the US under newly-liberalised private placement rules, writes Stephen Fidler.

Standard & Poor's, the US rating agency, assigned the securities a rating of A plus.

Rudolf Wolff launches futures trust

By Deborah Hargreaves

THE LAUNCH of the Rudolf Wolff futures trust yesterday creates a vehicle for UK pension funds to invest in the high-risk high-reward derivatives markets.

The trust should cash in on the wave of publicity in futures funds which has been generated by the Department of Trade and Industry's bid to regulate the market.

But Rudolf Wolff's trust has been launched before the new rules on futures funds have become law and is set up as an unauthorised unit trust. For this reason, the fund cannot be marketed to retail clients.

The trust will be sold to UK pension funds, superannuation funds and some charities as a way to enhance the existence of their portfolios by investing in futures and options. The minimum investment is £250,000.

Value of Korean new issues rises sharply

By John Ridding in Seoul

THE VALUE of new Korean Euromarket issues has increased sharply so far this year, according to figures released yesterday by the Korean Securities Industry Association.

But the increased number of new issues and the weakness of the underlying stock market has prompted sharp falls in premiums and prices and delayed the launch of several new instruments.

According to yesterday's figures, the value of the various issues so far this year amounts to US$380m, compared with $130m in the same period last year.

The increase reflects a more liberal stance by the Government, which has allowed more overseas issues to encourage industrial investment.

The recent issues, which include $150m in beneficiary certificates, $110m in convertible bonds and $70m in bonds with warrants, takes the total value of Korean securities issued on overseas markets to $925m.

The total value of new issues scheduled for the current year is about $800m. This includes $210m of convertible bonds, $300m in matching funds and $190m in bonds with warrants.

But the continued weakness in the market for Korean Euromarket issues, which has seen prices and premiums fall by up to 50 per cent on some existing issues, has caused a series of delays.

Samsung Electronics has twice postponed its $75m bond with warrant issue and Tongyang Nylon has postponed indefinitely its planned $50m convertible bond issue.

Norway to look at stock index futures trading

By Karen Fossli in Oslo

NORWAY is to consider the introduction of share index options and futures contracts following a study to be carried out on their establishment and regulation by the Oslo Bourse and Kredittilsynet, Norway's securities regulator.

The report is to be submitted to the Finance Ministry sometime between June and the end of the summer. Mr Roger Kristiansen, a bourse official, said the two bodies would study the benefits and drawbacks of introducing the options and futures, rules for their administration, clearing and settlement and the construction of the index.

Yesterday, Norway started trading call and put options for five Oslo bourse listed stocks, after a three-year ban.

For the first day of trading 890 contracts were made at a premium of NKr1.1m with an underlying volume of NKr20m.

"We are very satisified with the performance on the first day of trading . . . the marketmakers were operating with tight spreads and a couple of times during the day there was better liquidity in options than in the underlying shares," Mr Kristiansen said.

Mr Peter Warren of Oslo-based Moorgate Options said that he was pleasantly surprised by the outcome of yesterday's activity considering there were just 25 investors signed on at the securities register.

The Finance Ministry said it was also "after a closer assessment, prepared to open the possibility for trading with share index options." Mr Kristiansen said that trading in futures would also be decided.

Oslo is seeking to gain a competitive edge over OM London (OML), a subsidiary of Stockholm Options Market (OM), which introduced trading in options on three Norwegian stocks on May 11. Three days before OML launched options trading, it announced plans with OM in a linked market-place to start trading options on a Norwegian index during the second week in June.

Hanwa Kogyo posts record

By Stefan Wagstyl in Tokyo

HANWA KOGYO, a steel stockholding company with a reputation for being one of the most successful financial investors in Japan, yesterday posted record annual profits, its performance undented by the upheaval in Tokyo's financial markets this year.

Unconsolidated pre-tax profits for the year to March rose 22.6 per cent to Y38.4bn. As in the past the biggest contribution came from non-operating profits, which includes the company's gains from *zaitech*, or financial investments.

Non-operating profits were Y27.1bn, an increase of 17 per cent on the previous year. Operating profits from the group's steel business reached Y12bn, a 38 per cent increase.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on May 22

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria 9⅝ 93	140	100⅞	101⅛	+0⅛	0	9.13
B.F.C.E. 8⅝ 94	175	†96⅝	97⅛	+0⅛	-0⅛	9.28
B.F.C.E. 9¼ 95	150	99¼	99⅝	+0⅛	-0⅛	9.38
Brit. Tel. Fin. 9⅜ 98	250	†98¾	99¼	+0¼	-0⅛	9.53
Canada 9 96	1000	99¼	99⅝	+0¼	-0⅛	9.10
C.C.C.E 9¼ 95	300	99⅜	99⅞	+0⅛	-0⅛	9.33
Cr.Local France 8⅞ 99	250	†95⅜	95⅞	+0⅛	-0⅛	9.50
Credit National 7⅞ 92	100	97	97⅜	+0⅛	0	9.06
Credit National 9½ 92	160	†100⅛	100⅝	0	-0⅛	9.23
Denmark 8¼ 94	150	†95⅝	96⅛	+0⅛	-0⅛	9.45
E.E.C. 7 91	100	96⅞	97⅜	+0⅛	-0⅛	9.03
E.E.C. 10 93	140	†101⅛	102	+0⅛	-0⅛	9.25
E.I.B. 8½ 99	150	93⅞	94⅜	+0⅛	-0⅜	9.45
Eurofima 10⅛ 93	100	†102	102⅜	0	-0⅛	9.21
Elec. De France 9½ 99	200	*99⅞	99⅞	0	0	9.51
Euro.Credit Card Tst. 9 95	750	*97½	98	+0⅛	-0¼	9.59
Finland 9 96	250	97⅞	98¼	+0⅛	-0½	9.45
Finn.Exp.Cd. 8½ 92	200	98¾	99¼	+0¼	0	9.09
Finn. Exp. Cd. 9⅜ 95	200	†99⅝	100	+0⅛	0	9.41
Ford Motor Credit 8 91	250	†99⅝	99⅞	+0¼	+0⅛	0.09
G.E.C.C. 10½ 91	300	101	101⅜	+0⅛	0	0.09
G.M.A.C. 8¾ 94	500	†96¼	97¼	+0¼	+0⅜	9.57
G.M.A.C. 9 96	300	†97⅞	98⅜	+0¼	+0⅛	9.40
Gen. Mtrs.Corp. 9⅛ 92	200	†99⅝	99⅞	+0⅛	0	9.36
Honda 9⅝ 97	300	98⅞	99⅜	+0⅛	-0⅜	9.79
IBM Credit Corp. 8⅜ 92	400	98⅝	99⅛	+0⅛	0	9.05
IBM Credit Corp. 8⅞ 91	250	†99¼	99⅞	0	-0⅛	9.19
IBM Credit Corp. 9 92	250	99⅞	100¼	+0⅛	+0⅛	8.97
IBM Credit Corp. 9½ 92	250	100½	101	+0⅛	+0⅛	8.97
Italy 8½ 94	1500	96⅞	97⅜	+0⅛	-0⅛	9.29
Italy 9½ 95	1000	100⅝	100⅞	+0⅛	-0⅛	9.35
Italy 9⅝ 99	1000	†100⅛	100⅞	+0⅛	-0⅜	9.50
Itoh C. W/W 4⅝ 94	1000	†97½	99	-1½	-1⅝	5.11
Japan Dev. Bank 10 96	200	†102¼	102⅝	+0⅛	-0⅛	9.46
KFW Intl. Fin. 9 94	300	98⅝	99⅛	+0⅛	-0⅛	9.30
L.T.C.B. of Japan 8⅞ 96	200	95⅞	95⅜	+0⅛	-0⅛	9.73
L.T.C.B. of Japan 9¼ 92	200	†99¼	99⅝	+0⅛	-0⅛	9.44
New Zealand 9 94	850	98⅛	98½	+0⅛	-0¼	9.49
Nippon Tel.&Tel. 8½ 96	200	95	95½	+0¼	-0⅛	9.48
Nippon Tel.&Tel. 9⅜ 98	250	98½	99	0	-0⅛	9.58
Norway 8¼ 93	500	†98⅞	99¼	+0⅛	-0⅛	9.15
Oesters Kontbk. 9¼ 94	350	†99⅞	100⅜	+0⅛	-0¼	9.45
Sumitomo Corp. W/W 4 93	1500	†105½	107	-0⅛	-1	1.91
Sweden 8¾ 96	200	†97	97½	+0⅛	-0⅜	9.37
Toyota Mtr.Corp. W/W 4 93	1500	†101½	103	0	+0⅛	3.21
Victorian Rep 11⅛ 92	150	103½	104⅛	+0⅛	-0⅛	9.34
Union Bk. Switz. 9⅛ 02	225	96	96½	+0¼	-0⅛	9.68
World Bank 8⅜ 99	1500	†95⅛	95⅝	+0¼	-0¼	8.92
World Bank 9 97	300	†98⅛	98⅝	+0¼	-0⅛	9.30
World Bank 9 93	300	99½	99⅞	+0⅛	0	9.08
World Bank 9¼ 98	300	†98⅝	99⅛	+0¼	-0¼	9.43
World Bank 9⅝ 99	500	100¾	101¼	+0⅛	-0¾	9.46

Average price change... On day +0⅛ on week -0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	88¼	88¾	0	-0⅛	9.17
Austria 6¼ 99	750	†86¼	86¾	0	-0⅛	9.06
Bk.Frgn.Econ.USSR 7 96	750	*84	84	0	-1¼	10.82
Bank of Tokyo 5¾ 93	100	91⅜	91⅞	-0⅛	-0⅛	9.30
Commerzbank o/s. 5⅜ 93	300	91⅝	92⅛	-0⅛	-0¼	8.89
Credit Foncier 6¾ 99	500	†85⅝	86⅛	0	-0⅛	9.11
E.I.B. 6¼ 99	600	83¼	83¾	0	-0⅛	9.06
E.I.B. 6½ 99	300	†85¼	85¾	0	-0¼	8.94
E.I.B. 6⅝ 96	600	88¾	89¼	0	-0¼	9.11
E.I.B. 6⅞ 95	300	90¼	90¾	0	-0⅛	9.13
E.I.B. 8 2000	500	96	96½	-0⅛	-0⅛	8.59
Euro.Coal& Steel 7⅞ 94	100	†95½	96	0	+0¼	8.90
Eurofima 6¼ 96	100	86½	87	0	-0⅛	9.18
Elec De France 5¾ 97	300	83¼	83⅝	-0⅛	+0⅛	9.03
Hydro-Quebec 6⅛ 99	300	†84⅞	85¼	0	-0½	9.30
Japan Dev. Bk. 5⅜ 95	300	†85	85½	0	+0⅛	9.23
Japan Finance 5⅛ 97	100	82⅜	83⅛	-0⅛	-0⅛	9.24
I.A.D.B. 7¼ 99	300	88⅝	89	0	-0⅛	9.09
Ireland 6½ 97	300	86⅛	86½	+0⅛	-0⅛	9.24
Ireland 7⅛ 99	500	88¼	88¾	0	-0⅛	9.16
Malaysia 6⅛ 94	150	88¼	88⅝	0	0	9.77
Nat. West. BK. PLC 6 98	300	†82¼	82⅝	+0⅛	+0⅛	9.23
Nippon Telg.&Tel. 6 95	400	†86¾	87⅛	0	-0⅛	9.29
Oesters. Kontbk. 5 93	300	90¼	90⅝	0	0	9.12
Portugal 5⅜ 92	150	92⅞	93¼	-0⅛	-1⅛	9.33
Portugal 6⅝ 95	150	90	90½	0	+1	9.05
Royal Insurance 5½ 92	300	93⅛	93⅝	+0⅛	-0⅛	9.49
Turkey 6½ 95	500	†87⅜	87⅞	-0¼	-0⅜	9.76
Union Bk.Finland 5½ 94	200	†88⅞	89⅛	0	+0½	9.15
World Bank 6 98	500	†81½	82	0	-0½	9.17
World Bank 6¼ 97	600	85	85⅜	0	-0⅜	9.17
World Bank 6⅜ 99	600	85⅝	86	0	-0⅜	9.07

Average price change... On day 0 on week -0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†84⅛	85	+0½	+0⅞	8.21
Asfinag 5 03	100	†79½	80½	-0¼	0	7.42
B.F.C.E. 4½ 98	200	†82¼	83⅛	0	0	7.32
B.M.W.Fin.Neth. 5 13	150	†75	76	+0⅜	+1½	7.22
Britannia B/S. 4¼ 94	100	†86½	87	+1	-0⅜	8.22
CIR. Int. W/W 3 93	125	†86	86¾	+0½	+0⅝	8.15
Credit Lyonnais 4⅜ 00	100	†78	80	-0⅞	-0⅞	7.86
E.I.B 4⅝ 98	150	†82	83	0	+0¼	7.60
Finn. Exp. Cd. 6¼ 92	75	†97½	98	+1⅛	+2¼	9.31
Fletcher Chall. 4⅞ 98	150	†77½	78⅜	+1¼	+1¼	8.87
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.95
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.32
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.13
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.49
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.25
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.85
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.71
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.48
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.53
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.39

Average price change... [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 5⅝ 93	80	96⅛	96⅝	+0⅛	-0⅛	6.88
Cr.Local France 6¼ 94	300	97½	97⅞	+0¼	-0⅛	6.51
Denmark 6¼ 95	300	97⅛	97⅝	+0¼	-0⅛	6.54
Denmark 7 95	400	100⅛	100⅝	+0¼	-0¼	6.86
E.I.B. 4⅞ 93	30	95	95⅛	+0¼	-0¼	6.90
Norway 5⅞ 95	50	93¼	93⅝	+0¼	-0⅛	6.73
Sweden 4⅝ 93	50	93¼	94	+0¼	-0⅛	6.97
World Bank 5⅛ 98	10	89½	89⅝	+0¼	+0⅛	6.93
World Bank 7 94	20	100¼	101⅛	+0¼	+0⅛	6.70

Average price change... On day +0¼ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10¼ 94 C$	150	†92	92½	+0⅛	+0⅜	12.68
Abbey Nat. 11⅛ 93 £	100	95⅝	96⅛	+0⅜	+2⅛	13.42
Aegon 7⅞ 92 FL	100	97⅝	97⅞	0	0	8.10
Alg. Bk. Ned. 5⅞ 99 FL	200	91⅜	91⅞	+0⅛	-0⅛	9.25
Austria 7½ 94 ECU	100	91⅞	91⅞	0	+0⅛	10.31
Barclays Aus. 13½ 91 A$	100	98⅛	98⅜	0	0	14.79
Bell Canada 10⅞ 04 C$	200	†91⅛	92⅛	+0⅛	+0⅜	12.07
BP Capital 9¼ 93 £	100	91⅝	92⅛	+0⅜	+2⅛	13.29
British Airways 10 98 £	100	85⅛	85⅝	+1⅛	+4	13.06
Brit. Telecom 9½ 93 £	150	†89⅝	90⅛	-0⅜	+0⅞	13.95
Comm.Bk.Aust. 12⅞ 93A$	100	†95	95½	0	+0⅛	14.69
Comm.Bk.Aus. 13¼ 94 NZ$	60	100½	101½	0	0	13.37
Credit Foncier 9 96 Ecu	100	93⅛	93⅝	0	+0⅛	10.45
CreditFoncier 9⅞ 99Ecu	150	93⅛	93⅞	0	+0⅛	10.39
Cr.LocalFran. 10⅛ 95 Ecu	225	98⅞	99⅜	-0⅛	+0⅛	10.47
Dent.Bk.Aus. 13⅝ 93 A$	125	98⅛	98⅝	+0⅛	+0⅛	13.91
Deutsche Bk. Fin. 15 94 A$	100	102⅝	103⅛	+0¼	+0⅛	13.94
Elec. De France 9¾ 99C$	150	*87	87½	+0⅛	+0⅛	12.08
E.I.B. 7 96 LFr	100	†91½	92½	+0⅛	+1⅛	8.83
E.I.B. 7⅞ 99 FL	150	88⅛	88⅝	-0⅛	-0⅛	9.02
E.I.B. 9 99 Ecu	150	†93⅛	93⅝	0	+2⅛	10.11
E.I.B. 10 97 Ecu	800	97⅞	98⅛	0	+0⅛	10.41
Eurofima 7⅞ 94 Ecu	100	92⅝	93⅛	-0⅛	+1	10.00
Fed.Bus.Dv.Bk. 9¾ 92 C$	75	†94⅛	95	-0⅛	+0⅛	12.83
Ford Cr.Can. 10⅛ 93 C$	100	†95⅛	95⅝	+0⅛	+0⅛	12.75
Ford Cred.Can. 10⅞ 96C$	125	†92⅝	93⅛	0	+0⅛	12.62
Ford Cred.Fund. 10⅛ 93£	60	92⅛	92⅝	+0⅛	+2⅛	13.48
G.M.A.C.Canada 11 3/4 94C$	100	†97⅛	97⅝	-0⅛	+0⅛	12.58
Heineken 7⅝ 94 FL	150	95⅜	96⅛	0	0	8.11
Hydro-Quebec 11 99 C$	400	†93⅞	94	0	+0⅛	12.15
Lloyds Bank 10⅛ 98 £	150	85⅜	86⅛	+0⅜	+3⅛	13.21
Lloyds Bank 11⅝ 98 £	100	—	—	—	—	—
Nat. Aus. Bk. 14⅛ 94A$	100	99⅜	99⅞	+0⅛	+0⅛	14.86
New Zealand 9⅞ 93 £	100	90⅝	91⅛	+0⅛	+2⅛	13.39
O.E.K.B. 10⅛ 99 C$	150	†89⅞	90⅜	+0⅛	+0⅛	12.07
Royal Bk.Scot. 10⅝ 98 £	125	87⅜	88⅛	+0⅛	+3⅛	13.23
Saskatchewan 10⅛ 93 C$	200	†93½	94	0	+0⅛	12.52
State Bk.NSW. 13⅞ 93A$	100	98⅛	98⅝	+0⅛	+0⅛	14.40
Sweden 7½ 93 Ecu	250	92⅝	93⅛	-0⅛	+0⅛	9.99
Sweden 15 94 A$	100	102⅝	102⅞	+0⅛	+0⅛	14.06
Toyota Mtr.Cr. 10⅜ 94C$	150	†92½	93	0	+0⅛	12.52
Toyota Mtr.Cr. 11⅞ 92C$	150	97⅝	97⅞	-0½	-0⅛	13.01
World Bank 7⅛ 99 FL	300	88⅛	88⅝	+0⅛	0	9.06
World Bank 9⅞ 95 Ecu	100	97	97½	0	+0⅛	10.25
World Bank 10⅞ 94 £	200	†93½	94	+0⅞	+3⅛	12.84
World Bank 13⅛ 92 A$	100	98⅛	98⅝	+0⅛	0	14.23
World Bank 14⅛ 94 A$	75	99	99⅛	+0⅛	+0⅛	14.44
Zentrspk. 13⅛ 93 A$	75	†98¼	99⅛	+0⅛	+0⅛	13.66

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bid 94 £	.08	99.85	99.90	24/07	15.33
Belgium 91 US	0	100.00	100.10	21/08	8.32
Chelt. & Gloucester 94 £	.063	99.76	99.81	31/05	15¼
Credit Foncier 98 US	.063	99.61	99.71	20/10	8.44
Dresdner Finance 99 DM	†.031	100.18	100.28	30/07	8.81
EEC 3 92 DM	10	100.48	100.58	21/08	9
Halifax BS 94 £	.1	100.02	100.07	9/08	15.35
Invt. In Industry 94 £	0⅛	99.94	100.04	17/07	15.37
Leeds Perm. B/S. 94 £	0⅛	100.07	100.12	17/07	15.37
Milk Mkt. Brd. 5 93 £	0⅛	99.89	99.94	29/06	15.31
New Zealand 5 97 £	.07	99.95	100.05	22/05	15.06
Northern Rock 92 £	0⅛	99.86	99.91	30/07	15.44
State Bk. Nsw. 98 US	.188	99.58	99.83	14/08	8.56
Woolwich Equit.BS. 93 £	0⅛	100.02	100.07	17/07	15.37
Woolwich 5 95 £	0⅛	99.93	99.98	22/05	15¼

Average price change... On day 0.00 on week -0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	111⅛	112⅛	+0⅛	4.30
Amer. Brands 5⅜ 05 US	4/90	79.	100⅜	101⅛	+0⅛	16.54
Asda 4⅞ 02 £	3/87	1.64	103⅛	104⅛	+0⅛	55.91
Bank of Tokyo 3⅞ 04 US	3/89	1772.	70⅛	71⅛	+2⅛	5.82
CBS, Inc. 5 02 US	4/87	200.	103⅞	104⅜	+0⅛	5.77
Dai-Ichi Kan. 3⅞ 04 US	7/89	3486.	73	74	+1⅛	11.95
Daiwa Bank 3⅞ 05 US	2/90	1628.	91⅛	92⅛	+1⅛	2.69
Primerica 5⅛ 02 US	4/87	66.75	74⅛	75⅛	+0⅛	54.46
Eng.China Clay 6½ 03 £	9/88	4.8	81	82	+1⅛	6.30
G.M.K. 7½ 2000 US	2/90	1.37	80½	81½	-0⅛	91.33
Ladbroke Grp. 5⅛ 04 £	16/89	3.55	97⅛	98⅛	+0⅛	11.51
Land Secs. 6⅛ 02 £	6/87	6.72	80⅛	81⅛	+2⅛	11.94
Minolta Camera 2¼ 94DM	2/86	1004.	95	96	+1	7.73
MCA Inc 5⅛ 02 US	10/87	69.62	95	96	+0⅛	13.18
Mitsubishi Bk. 3⅛ 04US	5/89	3266.	75⅛	76⅛	+2	13.58
Next Plc 5⅛ 03 £	11/87	4.3	96⅛	97⅛	0	522.54
Omnicom Inc. 6 1/2% 04 US	7/89	28.	105⅛	106⅛	+0⅛	15.53
Ranks Hovis 4⅛ 03 £	11/88	3.5	111	112	+1	-1.28
Redland 7⅛ 02 £	11/87	5.4	106½	107½	+1	-8.38
Saatchi&Saatchi 6⅛ 03 £	11/89	4.41	64	65	+1	187.32
Sanwa Bank 1⅛ 02 US	10/87	2767.	79⅛	81⅛	+3⅛	4.10
Sumitomo Bank 3⅛ 04 US	2/89	3097.	69⅛	70⅛	+3	22.29
Texas Inst. 2⅛ 02 US	9/87	82.87	77⅛	78⅛	+0⅛	57.16
Utd. N'papers 8 04 £	10/89	8.77	131⅛	132⅛	-1⅛	255.99
W.R. Grace 6½ 02 US	9/87	42.12	83⅛	84⅛	-0⅛	25.26

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate ([illegible]) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL APPOINTMENTS

PolyGram to make top management changes

POLYGRAM, the world's third largest record and music company and an 80 per cent owned subsidiary of the Dutch Philips electronics group, announced that Mr David Fine, 61, will succeed Mr Jan Timmer as chairman of PolyGram NV's supervisory board.

Mr Timmer will be taking up his new role as president of the Philips group in July, while Mr Fine will relinquish his current PolyGram International posts of president and chief executive at the end of this year.

Mr Alain Levy – PolyGram's executive vice president with overall responsibility for popular music, music publishing, France and USA – will be switching to Mr Fine's present positions at the start of 1991.

Since becoming president and chief executive in 1987, Mr Fine has led PolyGram through sustained growth. At the end of 1989, 20 per cent of the equity was floated on the New York and Amsterdam stock exchanges, and for that year he was able to report record profits and sales figures. Net annual sales exceed $2bn.

★ ★ ★

YVES SAINT Laurent, the leading French fashion and perfume company, said that Mr David Marsh, managing director of Parfums Yves Saint Laurent UK, has been appointed director of all the company's European affiliates.

Reporting to the Paris headquarters, Mr Marsh will assume additional responsibility for the management and development of all Parfums YSL operational activities in West Germany, Italy, Spain and Switzerland.

★ ★ ★

MITSUBISHI BANK, Japan's fourth largest commercial bank, announced that vice president Mr Tsuneo Wakai will be promoted to president for a two-year term.

He will replace Mr kazuo Ibuki following a meeting of the board of directors scheduled for late-June.

Mr Ibuki, 69, who headed the Federation of Bankers Associations of Japan for a one-year period up to April 1989, will be appointed chairman of Mitsubishi Bank. He has been president since June 1986.

Mr Wakai, 64, took up his present post in September 1986 – he joined the bank in 1948.

Minorco forms US holding company

By Kenneth Gooding, Mining Correspondent

MINORCO, the Luxembourg based, South African-owned investment group, has formed a US holding company in Denver, Colorado, which eventually will hold all of its North American investments.

The chairman of Minorco (USA) will be Mr Reuben Richards, chief executive officer of Inspiration Resources, in which Minorco, part of Mr Harry Oppenheimer's Anglo American-De Beers empire, has a 56 per cent interest.

Other directors will include: Mr James Glanville, partner of Lazard Frères; Mr Thomas Barry, president of Rockefeller Company; Mr Edward Beimfohr, a partner in the law concern Lane & Mittendorf; Mr William Brown, former chief executive officer of Gold Fields Mining Corp; and three Minorco directors, Messrs Henry Slack, Roger Phillimore and Anthony Lea.

In March, Minorco acquired for $705m Freeport McMoRan Gold, which has changed its name to Independence Mining. Mr Richards said the creation of Minorco (USA) established a base for the development and expansion of the corporation's assets in North America.

★ ★ ★

A NUMBER of senior executive changes at Cyprus Minerals, the second largest US copper producer, include Mr Kenneth J. Barr, 63, being appointed chairman and chief executive, writes Kenneth Gooding.

He succeeds Mr John C. Duncan, 69, who has become vice chairman.

Mr Chester B. Stone Jr, 55, formerly senior vice president, coal and iron ore, succeeds Mr Barr as president and assumes additional duties as chief operating officer.

Mr Donald P. Bellum, 57, has become an executive vice president responsible for acquisitions and exploration, as well as Cyprus's growing gold, iron ore and zinc business. Mr Thomas A. Williams, 54, who was president of Foote Mineral, which Cyprus acquired in 1988, has become an executive vice president responsible for lithium, talc and molybdenum.

Goodman Fielder names chief to lead food group into 1990s

GOODMAN Fielder Wattie, the large Australasian food group, has named Mr Michael Nugent as the next managing director and chief executive officer.

Mr Nugent, 45, is expected to assume day-to-day executive responsibilities for GFW on or before July 2. He was appointed to the board a year ago as part of the company's current board restructuring.

He joined the company with 15 years' experience in the food and agribusiness industries. His most recent appointment was as chief executive of Elders Agribusiness Group. He is also a director of Elders IXL and several of its subsidiaries, and a director of National Commercial Union.

GFW chairman Mr Pat Goodman, who has been taking on the role of chief executive on an interim basis, commented: "Mr Nugent's track record in developing new businesses, and substantially growing existing ones in which he has worked, exemplify his credentials as the man to lead GFW into the 1990s."

★ ★ ★

TAISHO MARINE and Fire Insurance, a leading Japanese non-life insurance concern, will name executive vice president Mr Koh Matsukata, 57, as president later this year.

The official appointment will take effect from a board meeting to be held sometime after a June 28 shareholders' meeting.

Current president Mr Takeru Ishikawa, 65, will become chairman. The chairmanship is now vacant.

The company intends to change its name to Mitsui Marine and Fire Insurance from April 1 next year.

★ ★ ★

AMETEK, the US diversified industrial manufacturing company, has appointed Mr Walter E. Blankley as president and chief executive officer. Mr Roger Derr has been elected as chief operating officer and executive vice president, while Mr Allan Kornfeld has also been named an executive vice president and will remain chief financial officer.

Mr John Dandalides has retired as president and chief operating officer. Mr Derr has served as a senior vice president of Ametek since 1983.

★ ★ ★

SMITH CORONA, the US typewriter maker 48 per cent owned by Hanson, of the UK, named Mr William Henderson president and chief operating officer, effective from July 1.

He succeeds Mr G. Lee Thompson, who will remain chairman and chief executive officer, as well as being responsible for the company's Office Supplies Inc and Histacount Corp subsidiaries.

Mr Henderson had been executive officer and group vice president at Hanson Industries, Hanson's US arm.

★ ★ ★

MR STEPHEN Pistner, recently appointed chief executive of Ames Department Stores, the Connecticut-based US regional discount stores chain which began operating under Chapter 11 bankruptcy protection from creditors a month ago, named Mr Peter Thorner as an executive vice president and chief financial officer.

Mr Thorner, 46, has most recently served as chief financial officer of Wheelabrator Technologies in Massachusetts. He will replace at Ames Mr Duane Wolter, who will leave the company in August.

★ ★ ★

AT St Paul Companies, the US property and liability insurance group, Mr Douglas Leatherdale, president and chief operating officer, has become chairman and chief executive.

Mr Leatherdale, 53, succeeded Mr Robert Haugh, 64, on his retirement.

INTERNATIONAL CAPITAL MARKETS

Good reception for $1.4bn credit card-backed issue

By Andrew Freeman

THE FIRST credit card-backed global bond issue was priced and launched yesterday by Salomon Brothers. A total of $1.405bn was issued for the Standard Credit Card Trust, a special purpose vehicle for the securitisation of credit card receivables owned by Citicorp.

The two-tranche deal met a good reception from a range of investors and by the close of trading Salomon was claiming successful international placement of the paper.

Citicorp is thought to have plans to securitise further large pools of assets, so yesterday's deal will become a testing benchmark for the use of the global structure by non-sovereign issuers.

The five-year bullet maturity deal used a simple senior/subordinated structure, with a Letter of Credit from Fuji Bank providing support for the $155m Class Btranche.

The Class A bonds were priced with a 9⅜ per cent coupon at 99.66 to yield 80 basis points over Treasuries, a level which inspired good demand.

Most of the underwriting group found placement with European accounts for a fair proportion of their allotments.

When the bonds were declared free to trade they were quoted by Salomon at 99.70 bid, a premium to the issue price.

There was less demand for the subordinated bonds which were priced with a 9⅝ per cent coupon at 99.47 to yield 110 basis points over Treasuries.

The lead manager said the main interest was predictably from US investors, although some bonds were placed in Europe.

The paper also traded at a small premium, reaching 99.50 bid.

Salomon reported heavy over-subscription for the main tranche and argued that at least half the paper had been placed outside the US market.

Other syndicate members said the international placement had taken second place to very strong US demand and that the deal's centre of gravity would be in New York.

However, they suggested that around one-third of the paper had been placed in Europe.

Complaints from selling group members that there were no bonds allocated to them met short-shrift from Salomon which said its primary responsibility was to the issuer and underwriters.

Elsewhere, Eurobond houses were busy absorbing the heavy volume from Monday.

The Eurosterling sector was the subject of much fruitless speculation, but JP Morgan's £150m seven-year fixed-price re-offered issue for Ford Capital BV had a fine reception.

The early strength of the gilts market made the par re-offer price look cheap and most syndicate members were able to make sales up to a high of 100%.

Later in the session, however, dealers reported aggressive selling of sterling assets in a market short of stock after the recent strong demand.

As prices were driven down, the Ford paper fell back to 99⅝ bid.

Although JP Morgan would not comment, the proceeds are thought to have been swapped into floating-rate sterling.

In Switzerland, two new issues were the result of bidding competitions that divided opinion among leading houses. UBS won both mandates. A SFr200m 10-year deal for the European Investment Bank came with a 7¼ per cent coupon at 102, terms described by rivals as very aggressive given unusually low underwriting fees of 2 per cent.

Both Credit Suisse and SBC declined their invitations. Towards the close of trading, the paper was quoted in the market outside fees at around less 2⅜ bid, although UBS could not be reached for a price.

Caisse Centrale de Co-operation Economique (CCCE) launched a SFr150m 15-year deal with a 7¼ per cent coupon at 101¾.

Traders said the terms were tight but acceptable, and reported reasonable demand.

The bonds were trading just inside fees at around less 2% bid.

Elsewhere, AMRO Bank was the lead manager of a very successful Fl 500m 10-year issue for Unilever NV, only the second corporate borrower in the sector this year.

Strong domestic institutional demand saw the bonds trade well inside fees at around 99.40 bid.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Standard Credit Card Tst(a)◆	1.25bn	9⅜	99.66	1995	37½/25bp	Salomon Brothers
Standard Credit Card Tst(b)◆	155	9⅝	99.47	1995	37½/30bp	Salomon Brothers
Fiat Finance & Trade(c)◆	35	15	101.30	1991	1/⅝	Chase Investment Bank
SWISS FRANCS						
EIB(a)◆	200	7¼	102	2000	2	UBS
Caisse Cen.de Coop.Econ.(d)◆	150	7¼	101¾	2005	2¾	UBS
GUILDERS						
Unilever NV(a)◆	500	9	100.30	2000	1/⅝	Amro Bank
YEN						
SGA-Soc.Generale Acc.NV(e)◆	17½bn	(e)	101⅛	1992	1⅛/⅝	Bankers Trust Int.
Toronto-Dominion (Cayman)(e)◆	10bn	(e)	101⅛	1992	1⅛/⅝	Bankers Trust Int.

◆Final terms. a) Non-callable. b) Unlisted. Non-callable. c) Issue increased from $30m. Borrower option to redeem in Lire at L1213. Non-callable. d) Call after 10 years at 101 declining ½% p.a. e) Coupon pays for first three months Yen Libor flat, then 8% annually thereafter. Non-callable. Redemption linked to Nikkei stock index.

Lifting the roof on home-building finance

Janet Bush examines the prospects for the US mortgage-backed securities market

It was courageous of Fannie Mae, the public company chartered by Congress to provide a continuous flow of funds to mortgage lenders, to invite Mr Lewis Ranieri to be the main speaker at its conference this week.

Mr Ranieri, who started his career in Salomon Brothers' mail room and went on to create the $1,000bn market in mortgage-backed securities (MBSs), talked about the mammoth thrift crisis and what troubles may be in store not only for the market but for future financing for home building in the US.

At issue is the estimated $80bn in residential mortgages and mortgage securities now in the hands of the Resolution Trust Corp (RTC), the government institution set up to oversee the bail-out of savings and loans. Perhaps as much as $70bn more will hang over the market as more thrifts go under or are taken under the government's wing and Mr Ranieri, at the pessimistic end of forecasts, believes in the long-run the market may have to absorb more than $200bn. So far, the mortgage market has survived the dumping of substantial amounts of securities, partly, Fannie Mae believes, because new types of investors such as overseas institutions have taken up the slack.

However, Mr Ranieri believes the peace so far is merely the calm before the storm which will break before the end of this year. The spread between MBSs and the Treasury bond yield curve has held at a relatively narrow 130 to 135 basis points – an indicator of the health of the mortgage market – but he predicts this will rise to 150 basis points. And this is his most conservative estimate.

One of the main reasons for the stability of prices so far has been substantial purchases by commercial banks. Their holdings of mortgage-backed securities and their derivatives rose explosively to $190bn at the end of 1989, a 43 per cent increase from a year earlier.

The US Comptroller of the Currency is about to act on long-run concerns about this thrift-like build-up of mortgage assets by issuing a recommendation that banks should not buy certain derivative mortgage-backed products which the comptroller regards as too risky.

Some market participants expressed concern that banks could stop buying the basic mortgage-backed products if they cannot buy the companion securities. Mr Hal Hunkle, vice president of the mortgage-backed division of Goldman Sachs, said that the new guidelines could have some impact but noted that banks hold a relatively small proportion of the derivative securities mentioned in the guidelines.

A second concern is that, in a markedly more stringent bank regulatory environment, the comptroller may move towards asking banks to adopt an interest rate risk component to their risk-based capital requirements. Currently, banks can, for example, invest in 30-year Ginnie Mae mortgage securities without charging them against their capital, making them an extremely inexpensive investment.

The comptroller's office has certainly expressed interest in imposing such a capital standard on banks – although any decision to do so would probably take some time to implement – and, according to Mr Ranieri, they have already started to react to this possibility. In the context of a large actual and potential overhang of securities, any limits on commercial banks' purchases of mortgage-backed securities have to be taken seriously, because it is difficult to identify new classes of buyers.

At the end of 1989, life insurance companies held $130.2bn in mortgage-backed securities, up 26.4 per cent from December 1988 holdings. There is some doubt about whether they will continue to be as active, due to their exposure to high-yield bonds and talk about state insurance commissioners raising capital standards.

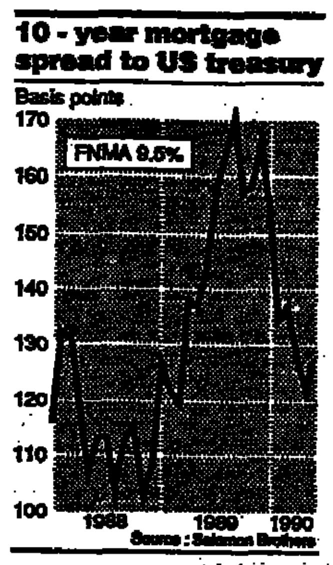
Thrifts will clearly not be as active because the entire industry is shrinking, not only because of those institutions which have gone out of business but because many of those which are left have seen their capital cut dramatically after having to revalue their junk securities to the market.

Foreign buyers are another possible new source of buying and have definitely been more active in the past year – over the past six months, Fannie Mae estimates that overseas investors have accounted for 10 per cent of buying of new issues. However, compared with the size of the market, even their increased interest is still relatively minor.

The only obvious group of investors who could step into the breach are pension funds which are underweighted in mortgage securities.

Mr Ranieri believes that pension funds could be enticed into the market if the structure of the products and the yield is right but is concerned nevertheless that the vast pools of capital which were once available to the housing market have dwindled considerably.

10 - year mortgage spread to US treasury



Source : Salomon Brothers

Canadian prices fall on news of government disarray

By **Deborah Hargreaves** in London and **Janet Bush** in New York

CANADIAN bond prices plummeted yesterday as news broke of disarray in Prime Minister Brian Mulroney's Government triggered by the resignation of Mr Lucien Bouchard, the Environment Minister. Mr Bouchard resigned over his separatist beliefs.

Prices on 10-year Canadian government bonds plunged by 2⅜ points pushing yields to 11.26 per cent and widening the spread between Canada and the US to 259 basis points. The spread between bond yields in the two countries had been narrowing recently.

The market remains fragile as the debate over the Meech Lake accord continues to dominate politics.

■ US Treasury bonds registered healthy gains yesterday in a rally which at least started because of a report in a Chicago newspaper that a Congressional investigation had revealed that there was around $50bn of unspent money which could be used to reduce the US budget deficit.

A Bush administration official said yesterday that these unspent funds had virtually nothing to do with the deficit and was a technical rather than budgetary issue. Private analysts said that the accounts reflected approved appropriations that were not fully used, not cash.

Despite these explanations, the benchmark long bond was still quoted nearly ¾ point higher in late trading for a yield of 8.61 per cent.

■ GILT-EDGED securities eased slightly yesterday as technical trading dominated the market ahead of the release today of UK trade figures for April.

UK gilts saw a choppy day with a stronger opening to the market – prompted by rumours of Japanese buying – fizzling out by midday when rumours of a large sale pushed the market back down.

The gilts market continues to be illiquid since investors are unwilling to take positions in advance of the trade figures.

A benchmark government bond, the 11¾ per cent 2003/07 was off 3 ticks at 101⅛ offering a yield that had risen to 11.59 per cent from a previous level of 11.57 per cent.

■ WEST GERMAN bonds edged higher in thin, technical trading as investors continued to sit on the sidelines.

Traders watching their charts were reluctant to push bond yields over the psychologically-important 9 per cent level and the yield on the new 8⅞ per cent federal bond rose to 8.75 per cent from 8.71 per cent. The other benchmark, the 7⅜ per cent 10-year bond was fixed 10 pfennigs higher at 98.35, offering a yield of 8.77 per cent.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-07	-02/32	12.43	13.24	13.50
		10.500	5/99	92-03	-04/32	11.96	12.52	12.77
		9.000	10/08	84-11	-07/32	10.99	11.33	11.68
US TREASURY *		8.875	05/00	101-08	+11/32	8.68	8.66	8.86
		8.500	02/20	98-11	+25/32	8.65	8.65	8.86
JAPAN	No 119	4.800	6/99	87.8124	+0.557	7.03	6.91	7.31
	No 2	5.700	3/07	91.0085	+0.355	6.85	6.88	7.14
GERMANY		7.750	02/00	93.5500	+0.250	8.74	8.65	8.73
FRANCE	BTAN	9.000	02/95	98.4417	+0.108	9.95	9.97	10.08
	OAT	8.500	03/00	93.1700	+0.230	9.59	9.57	9.66
CANADA *		9.750	05/00	91.3750	-1.900	11.21	10.94	11.71
NETHERLANDS		7.750	01/00	92.2400	+0.130	8.97	8.99	8.94
AUSTRALIA		12.000	7/99	92.1791	+0.343	13.60	13.63	13.55

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section

	Tuesday May 22 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon May 21 Index No.	Fri May 18 Index No.	Thu May 17 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (199)	878.99	+1.3	13.20	5.15	9.17	15.78	867.52	860.37	861.18	978.40
2 Building Materials (27)	1100.42	+2.0	14.34	5.40	8.62	21.22	1078.44	1066.99	1069.52	1247.53
3 Contracting, Construction (36)	1364.90	+1.2	17.60	6.01	7.41	33.20	1349.29	1350.19	1349.58	1717.56
4 Electricals (10)	2511.17	+2.2	11.33	5.34	10.86	61.43	2456.10	2441.56	2431.94	2846.29
5 Electronics (29)	1872.87	-0.1	9.70	3.96	13.35	19.33	1874.64	1870.23	1891.05	2227.45
6 Engineering-Aerospace (8)	473.47	+2.3	13.75	4.92	8.68	9.31	462.70	450.39	452.68	0.00
7 Engineering-General (43)	477.04	+2.1	11.96	5.25	10.10	8.17	467.16	464.67	462.78	0.00
8 Metals and Metal Forming (6)	488.70	+1.4	24.04	6.38	4.69	0.53	481.86	480.03	486.67	553.39
9 Motors (16)	347.20	+1.8	15.87	6.49	7.35	9.56	341.13	339.63	338.78	324.01
10 Other Industrial Materials (24)	1604.60	+1.0	11.05	4.97	10.45	33.09	1588.52	1568.75	1556.98	1626.04
21 CONSUMER GROUP (178)	1270.78	+1.1	9.49	3.93	13.05	12.56	1256.89	1243.70	1247.68	1220.40
22 Brewers and Distillers (21)	1505.32	+1.4	9.95	3.81	12.18	12.62	1484.07	1473.10	1474.71	1303.96
25 Food Manufacturing (20)	1086.42	+0.7	10.37	4.34	11.92	16.98	1078.47	1075.05	1075.66	1071.81
26 Food Retailing (16)	2419.20	+1.1	9.39	3.35	13.68	22.97	2391.96	2364.54	2356.77	2231.48
27 Health and Household (14)	2631.59	+1.3	6.57	2.65	18.13	20.36	2597.71	2549.82	2553.62	2298.70
29 Leisure (32)	1409.95	+0.5	10.23	4.32	11.92	18.28	1403.42	1394.80	1405.55	1649.21
31 Packaging & Paper (12)	576.52	+0.8	12.73	5.88	10.04	11.83	571.91	571.46	572.25	573.70
32 Publishing & Printing (16)	3346.87	+1.1	10.01	5.36	12.59	50.81	3311.54	3308.22	3319.67	3568.69
34 Stores (35)	785.14	+1.0	11.39	4.81	11.32	2.25	777.08	765.22	776.47	808.40
35 Textiles (12)	492.65	+2.6	13.14	7.26	9.68	13.26	480.31	473.02	467.42	536.02
40 OTHER GROUPS (105)	1149.82	+0.9	11.18	4.99	10.74	10.37	1139.35	1135.78	1140.64	1115.99
41 Agencies (17)	1593.18	+1.0	6.25	2.48	19.31	14.99	1577.28	1590.86	1614.47	1406.93
42 Chemicals (23)	1256.36	+1.1	11.30	5.26	10.35	28.52	1242.30	1229.09	1232.98	1277.91
43 Conglomerates (14)	1624.44	+0.8	10.38	6.09	11.58	14.41	1611.55	1609.36	1606.32	1596.31
44 Transport (13)	2231.09	+0.8	11.23	4.49	11.25	26.91	2212.38	2211.24	2198.41	2455.68
46 Telephone Networks(2)	1160.00	+1.2	10.95	4.42	11.88	0.00	1146.37	1141.36	1154.90	1153.44
47 Water(10)	1955.71	+1.0	17.82	6.92	6.22	0.00	1936.07	1924.66	1930.77	0.00
48 Miscellaneous (26)	1732.59	+0.4	11.99	4.90	9.52	18.70	1725.21	1721.88	1728.83	1516.65
49 INDUSTRIAL GROUP (482)	1148.54	+1.1	10.93	4.56	11.14	13.32	1136.04	1127.38	1130.75	1150.72
51 Oil & Gas (18)	2314.48	+2.3	11.72	5.25	11.26	46.43	2263.27	2282.10	2320.72	2016.85
59 500 SHARE INDEX (500)	1245.98	+1.3	11.04	4.66	11.16	15.95	1230.45	1223.79	1229.85	1224.65
61 FINANCIAL GROUP (109)	795.99	+1.6	–	5.76	–	18.66	783.27	780.94	784.50	744.94
62 Banks (9)	847.58	+1.6	19.37	6.34	6.76	25.62	834.50	830.28	837.58	744.13
65 Insurance (Life) (7)	1377.24	+2.5	–	5.33	–	36.94	1344.20	1331.04	1335.52	1056.98
66 Insurance (Composite) (7)	676.60	+1.3	–	6.11	–	19.43	667.89	662.68	664.32	585.29
67 Insurance (Brokers) (7)	1067.54	+1.2	8.10	6.10	16.26	27.41	1054.62	1061.97	1062.89	989.92
68 Merchant Banks (7)	439.53	+1.6	–	4.33	–	4.85	432.50	434.10	432.44	330.37
69 Property (47)	1086.01	+1.4	8.15	4.20	15.71	8.35	1070.57	1078.26	1083.02	1318.96
70 Other Financial (25)	310.67	+2.0	14.35	7.19	9.13	4.54	304.55	304.05	301.93	374.79
71 Investment Trusts (67)	1199.85	+1.3	–	3.23	–	10.73	1184.32	1185.63	1187.03	1157.26
91 Overseas Traders (5)	1366.04	+2.5	9.03	6.69	13.57	42.87	1332.71	1318.57	1320.35	1377.38
99 ALL-SHARE INDEX (681)	1137.50	+1.3	–	4.79	–	16.34	1122.64	1117.16	1122.46	1106.73

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 21	May 18	May 17	May 16	May 15	Year ago
FT-SE 100 SHARE INDEX♦	2311.3	+29.2	2332.7	2293.3	2282.1	2269.1	2284.4	2221.1	2212.2	2151.6

FIXED INTEREST

PRICE INDICES	Tue May 22	Day's change %	Mon May 21	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	115.66	+0.03	115.63	–	4.71
2 5-15 years	121.34	-0.09	121.45	–	4.96
3 Over 15 years	125.31	....	125.30	–	4.77
4 Irredeemables	142.14	-0.42	142.73	–	6.12
5 All stocks	121.57	-0.04	121.62	–	4.91
Index-Linked					
6 Up to 5 years	144.92	+0.04	144.85	–	1.49
7 Over 5 years	138.54	+0.11	138.40	–	1.38
8 All stocks	138.91	+0.10	138.77	–	1.38
9 Debentures & Loans	97.93	+0.08	97.85	–	3.92
10 Preference	73.84	+0.05	73.80	–	2.52

AVERAGE GROSS REDEMPTION YIELDS		Tue May 22	Mon May 21	Year ago (approx.)
British Government				
1 Low	5 years	11.21	11.20	9.66
2 Coupons	15 years	10.82	10.80	9.32
3	25 years	10.72	10.69	9.15
4 Medium	5 years	12.17	12.14	10.94
5 Coupons	15 years	11.33	11.31	9.78
6	25 years	10.94	10.91	9.32
7 High	5 years	12.29	12.27	11.04
8 Coupons	15 years	11.60	11.59	9.99
9	25 years	11.21	11.19	9.48
10 Irredeemables	†	10.76	10.71	9.15
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	5.15	5.15	3.82
12 Inflation rate 5%	Over 5 yrs.	4.12	4.12	3.68
13 Inflation rate 10%	Up to 5 yrs.	4.06	4.06	3.04
14 Inflation rate 10%	Over 5 yrs.	3.93	3.94	3.50
15 Debs &	5 years	14.78	14.80	11.85
16 Loans	15 years	13.47	13.48	11.51
17	25 years	13.07	13.08	11.16
18 Preference	†	12.53	12.54	10.19

♦Opening index 2303.5; 9 am 2294.6; 10 am 2300.6; 11 am 2316.2; Noon 2318.0; 1 pm 2324.9; 2 pm 2329.4; 3 pm 2325.8; 4 pm 2316.2; 4.10 pm 2311.9; (a) 1.30pm (b) 9.29am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	29	48	21
Corporations, Dominion and Foreign Bonds	2	4	18
Industrials	635	205	741
Financial and Properties	332	54	353
Oils	37	7	45
Plantations	1	1	8
Mines	42	30	92
Others	87	25	136
Totals	1,165	374	1,414

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings May 21
- Last Dealings June 1
- Last Declarations Aug 16
- For settlement Aug 28

For rate indications see end of London Share Service

LONDON TRADED OPTIONS

TURNOVER IN futures and options trading swelled yesterday as the equity market embarked on the latest leg of its current rally.

Some dealers believed dealing had been almost as hectic as last Thursday, when the stockmarket rose sharply. But unlike last week, the futures market did not lead the underlying index higher.

Instead, the equity market set the pace for much of the day, responding to the overnight gain on Wall Street and its subsequent advance when it reopened.

For most of the session, the June FT-SE futures contract traded within a narrow range, maintaining a 35 to 40-point premium over the cash index.

At one stage, during the middle of the session, the futures market took fright and the premium collapsed to around 25 points. However, dealers said the market bounced back as the squeeze across the futures and stock markets continued to exert a strong influence on trading.

The June contract closed at a 33 point premium over the cash index and more than 10 points above fair value.

In the options market, dealing was boosted by a large number of small and medium sized trades. Traders said the recent stockmarket moves had encouraged private clients and smaller institutions into the options market.

During the morning, call sellers and put buyers were in evidence. But the strong advance by midday on the stockmarket encouraged call buyers.

Hanson was the busiest stock option, and traded 4,055 contracts, divided between 3,920 calls and 135 puts. The May 180 calls were the busiest. Turnover was lifted by one large trade, rolling over from the May to August series. It involved James Capel buying 1,000 August 200 calls at 38p and selling 1,000 May 180 calls at 54p.

Blue Circle was another busy two-way market, as 3,565 lots changed hands, of which 1,457 were calls and 2,108 were puts.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*474)	460	22	42	55	16	20	26
	500	6	22	–	42	47	–
	550	2½	9	–	92	92	–
ASDA (*109)	100	14	17	20	3½	5	7
	110	7½	11	15	7	9	10
	120	3½	7	–	14	16	–
Unilever (*676)	650	46	72	91½	7½	14½	17½
	700	16½	41	61½	31½	37	40
Ultramar (*338)	330	25	37	48	10	13	18
	360	8	20	32	25	28	33

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Amstrad (*72)	70	5½	10½	13½	3	6½	8
	80	1½	5½	8½	10	11	13
Barclays (*559)	550	22	39	58	10	25	25
	600	2	17	32	45	50	50

[illegible]

UK COMPANY NEWS

Readicut static as interest rates bite

By Alice Rawsthorn

READICUT International, the specialist textile group, yesterday announced static pre-tax profits of £18.72m for the year to March 31 reflecting the competitive state of the UK furnishings market.

The main areas of weakness were consumer carpets, where Firth Carpets suffered from the impact of high interest rates on demand, and Firth Furnishings, which was hit by disruption in the car industry.

On the financial front, the sharp rise in capital expenditure resulted in a significantly higher interest bill of £3.27m (£2.43m). Readicut invested £14m in its businesses last year, a large part of which went to Visscher, the Dutch carpet company acquired two years ago.

The furnishings division managed to maintain sales at £83m, but profits fell to £4.6m (£5.7m) because of the problems at the car carpets company caused by the strike at Ford and delays in introducing the new Rover range.

Carpets boosted turnover to £80m (£59m) and profits to £5.7m (£5.4m) as buoyant demand for contract carpets in the UK and US countered the weakness in consumer carpets. Visscher fared well and Readicut expects the benefits of its investment to filter through this year.

Yarns and fibres boosted profits to £5.9m (£5.7m) in spite of a decline in sales to £59m (£64m). Drake Fibres and Plasticisers both benefited from the fall in polymer prices, but JB Battye and JP Stonehouse, the spinning companies, suffered from the slump in the carpet market.

Industrial products, helped by a strong performance by Hoyland Fox, the umbrella frame manufacturer, increased profits to £3.7m (£3.6m) on sales of £28m (£27m).

Group turnover rose to £231.36m (£214.41m) and trading profits to £21.99m (£21.14m).

The combination of tough trading conditions and higher interest charge affected earnings per share, which fell to 6.49p (7.24p). A small rise in the final dividend to 2.81p is proposed making a total of 3.44p (3.16p).

Readicut said the current year had begun well, although the furnishings businesses were still suffering from impact of high interest rates in the UK.

● COMMENT

Readicut is such a rag bag of businesses that its performance is always difficult to assess. This time around the ebbs and flows of the individual divisions were even more erratic than usual. The troubles at Firth Furnishings can be shrugged off as the product of short term problems in the car industry. But consumer carpets are still struggling against the downturn in demand. Readicut does have some stars – in umbrella frames and contract carpets – but some companies are burdened by high fixed costs and the group faces a tough task to pump up its margins again. The City expects another sluggish year with a slight fall in profits to £18m, which leaves the shares – up 2p to 54½p yesterday – on a plateau at a prospective p/e of 9.

Rolls-Royce ADR plan receives green light

By Nikki Tait

THE US Securities and Exchange Commission has given a green light to an American Depositary Receipt programme for Rolls-Royce, the UK defence and civil aero-engine manufacturer.

Trading in Rolls-Royce depositary shares was due to begin yesterday, with Bank of New York acting as the depositary bank for the underlying shares in Rolls-Royce

Rolls-Royce shares have risen sharply over the past couple of months; compared with a 1990 low of 166p in early-March, they closed at 220p yesterday, up another 6p on the day.

This has lead to rumours of stake-building, with various competitors being suggested as likely purchasers. An alternative theory was that the forthcoming ADR programme had stimulated interest among US institutions.

Yesterday Rolls-Royce said that returns on its latest section 212 notices – which allow a company to discover the beneficial owners of its shares – were only just coming back in, and it was no clearer as to the sources of the buying.

Carrington reflects on art market


Lydia van der Meer

LORD CARRINGTON, former UK foreign secretary and chairman of Christies International, reflects on the future of the world art market after the annual meeting yesterday – a day during which the auction house's shares rose 12p to an all-time high of 384p, writes Andrew Hill.

Last week's successful sales of Impressionist paintings in New York had underpinned the market, said Lord Carrington. However, he added that the strong growth of recent years had now flattened out, and buyers were becoming more selective – a trend indicated by the $82.5m (£48.8m) record price paid for Van Gogh's portrait of his physician, Dr Gachet, at the Christie's auction last Tuesday. "Very good pieces will always sell very, very well," he said.

As far as the rivalry between Christies and Sotheby's is concerned, Lord Carrington still believes his company is the fairest of them all. Earlier he told shareholders assembled at the group's London headquarters about the board's discomfort at having to offer guaranteed prices to some art-owners – a controversial approach pioneered by Sotheby's and used for the first time by Christies last week. "Particularly in the US, executors and trustees felt that if offered a guarantee they had to accept, and we didn't think we could go on losing business," he said.

Referring to the growing stake in the auction house owned by ADT, Lord Carrington said the group welcomed long-term shareholders. ADT, a vehicle auction and security company headed by Mr Michael Ashcroft, now owns 17.6 per cent of Christies' total equity – or nearly 20 per cent of the ordinary shares, worth more than £110m.

Mr David Hammond, ADT's finance director, was spotted among other shareholders at the AGM, but he chose to stay silent about the company's intentions.

UK COMPANY NEWS

Italian business had caused concern since at least last summer

Administration for Atlantic offshoot

By David Owen

THE ITALIAN subsidiary of Atlantic Computers will shortly be put into "controlled administration", according to the Dutch trustee in the bankruptcy of Atlantic Holdings BV, the principal holding company for the collapsed computer leasing group's European operations.

Atlantic subsidiaries in both Belgium and France have already been put in the hands of administrators, said the trustee, Mr Ronald De Ruuk of Amsterdam-based Stibbe, Blaisse and de Jong. Controlled administration is a process under Italian law whereby direct control of the management is taken on but shareholders retain the right to sell their shares, he added.

Administrators John Soden and Peter Padmore of Price Waterhouse were called in last month at Atlantic Computers plc, formerly the world's third-largest computer leasing company, by its parent British & Commonwealth Holdings, the stricken UK financial services group.

B&C, which is now seeking creditor support for proposals to sell all its major businesses to pay down debt, also pledged to write off £550m against the whole of its investment in Atlantic and asked for trading in its shares to be suspended.

Internal company documents in the possession of the Financial Times indicate that Atlantic's Italian business had been causing concern since at least last summer.

Ashley Ashwood

Administrators John Soden (left) and Peter Padmore of Price Waterhouse, were called in last month at Atlantic Computers

The minutes of a Meeting of the Board of Directors held on August 1 1989 at the company's Staines headquarters attribute "the poor results in Holland, Italy and Germany" to "intense competition, management and sales force problems and in Italy a number of key users in the financial sector were buying machines rather than leasing."

More than four months later on December 11 1989, it was noted in the minutes of a Meeting of the Executive Committee of the Board of Directors that "Nuccio Condulmari had resigned as Director of the Italian subsidiary." "There were plans to close the offices in Milan and Turin", the minutes state, although "The Bologne office would remain open."

"Further discussion ensued and the question was asked whether any profit could ever be made in Italy", the minutes continue. "The Chairman stated that the management should support the Italian operation and make every endeavour to ensure it becomes a successful operation provided its commercial viability can be clearly established."

By March 8 1990, according to the minutes of another Meeting of the Executive Committee of the Board of Directors, "Italy was still a serious problem."

Earlier this month, Messrs Soden and Padmore said that they were "not terribly hopeful about the prospects of recovery from the European operations." This was principally due to a £19m tax liability in the Netherlands that the administrators feared might "soak up" realised values.

Mr De Ruuk said yesterday that the Dutch claims had been contested and would take time to come to a head. "Some of the tax is indeed related to transactions involving foreign companies", he added.

He said that negotiations were taking place regarding the prospective sale of solvent parts of Atlantic's European business.

Those responsible for two BICC pension trusts have written to the trustee for £320.5m worth of B&C 7¾ per cent convertible unsecured loan stock to demand repayment, a spokesman said. BICC Group senior executive and works pension trusts hold £1.29m of the stock, according to lists obtained from the registrar.

Aspinall buys back casino from receiver

By David Churchill, Leisure Industries Correspondent

ASPINALLS, one of London's most famous casinos, was yesterday sold back to Mr John Aspinall, the founder of the casino bearing his name, for an undisclosed sum.

The sale was announced by Arthur Andersen, the receivers of Leisure Investments, which took over the running of that company in early May.

Leisure Investments is the principal subsidiary of the Courtwell Group which asked for its shares to be suspended at the beginning of May at a price of ½p.

Under the deal announced yesterday, Mr Aspinall is buying the White Elephant Club in Mayfair and "certain assets", understood to be the Aspinalls name, gaming tables and other equipment, from the Aspinall Curzon Club also in Mayfair.

John Aspinall: will move the casino to White Elephant club

Mr John Talbot and Mr Tony Brierley, joint administrative receivers of Aspinall Curzon, a subsidiary of Leisure Investments, said yesterday that "gaming has been suspended pending receipt of necessary approvals from the Gaming Board and Licensing Justices."

It is understood that Mr Aspinall will relocate the casino at the White Elephant Club as soon as a licence is granted. This is because the present Aspinalls club only has a short lease of under two years left to run.

Aspinalls, like a number of other London casinos, has suffered over the past year as fewer "high-rolling" punters played at its tables. Leisure analysts suggest this is partly due to some Middle Eastern gamblers being restricted by the rise in religious fervour in their countries.

Leisure Investments' other assets include the Barracuda casino and Lingfield Park racecourse. The receivers are seeking offers for both these assets as going concerns.

The problems of London's casinos was also partly the reason for the failure of Mecca Leisure at the beginning of last month to achieve analysts' profits expectations. This caused a sharp drop in Mecca's share price and a slump in leisure shares generally.

Astra being sued for £372,000 in fees by its solicitors

By Jane Fuller

ASTRA HOLDINGS, the munitions and fireworks maker, is being sued for the payment of fees totalling £372,000, plus interest, by its solicitors Baileys Shaw & Gillett.

The dispute has led to the resignation from Astra's board of Mr Laurence Kingswood, a non-executive director since February last year. Baileys Shaw & Gillett has been the company's solicitors since 1961.

Mr Aubrey Roberts, executive partner, said the writ listed amounts being claimed from Astra Holdings and three subsidiaries.

He stressed that Mr Kingswood had resigned from the Astra board solely because of the conflict of interest arising from the dispute. It was not connected with the previous resignations of the five executive directors who had led the company since its 1986 listing.

In the past financial year, the company not only fell into loss on its UK operations, but also purchased a Belgian subsidiary, PRB, which allegedly lost £12m last year when more than £2m profit was expected.

Efforts to agree a rescue plan continue in Belgium, but Astra has already written off the £21m paid out at the time of the acquisition.

On the legal front, Astra also faces a writ from Mr Gerald James, its former chairman. He is pursuing a claim for £300,000 compensation, a figure mooted when he originally agreed to step down. That was vetoed after the arrival of his successor, Mr Roy Barber, in March, as was the payment of £200,000 to another director, Mr John Anderson.

Mr Anderson has since resigned with a small amount of compensation. He has also been arrested by the Ministry of Defence police and questioned in connection with corruption allegations concerning Ministry of Defence contracts. He is due to report to Ramsgate police station tomorrow.

That is also the date of a reappearance at Ramsgate magistrates' court of another former Astra director and a Ministry of Defence official.

Mr Christopher Gumbley, Astra's former managing director, is accused of corruptly giving a BMW car, valued at £12,500, to Mr Dennis William Stowe, who is charged with receiving it.

Also arrested by the MoD police and due to report to Ramsgate police station this weekend are Mr John Sellens, Astra's former sales director, and Lt Col L Hollingworth, who retired from the Royal Army Ordnance Corps in February.

After Astra's financial plight came to light, other directors who resigned from the board were Mr James Miller, former finance director, and Mr Martin Guest, who has stayed on as technical manager.

Interest rates take toll on Frank Gates

As forecast at the interim stage, second-half profits of Frank G Gates, the east London-based Ford main dealer, began to show the effects of high interest rates on its customers.

The first nine months of 1989 had met expectations, directors said, but effectively in the final quarter no profit had been earned.

As a result, and in spite of a 5 per cent improvement in sales from £78.9m to £82.8m, pre-tax profits for 1989 slipped from £2.28m to £1.95m.

The tax charge fell to £826,060 (£850,000) after which earnings per share were left at 5.34p (6.83p). The recommended final dividend is unchanged at 2.75p.

Vishay clarification

Vishay Intertechnology, a US electronic components manufacturer, which on Monday said it intended to bid for Crystalate, a similar UK operation, yesterday clarified its position.

Crystalate is already subject to a hostile bid from TT Group, an industrial holding company. Vishay, which is a possible white knight, said yesterday that whether it would join the fray or not was dependent on the reaction of Crystalate's board to its proposals and on other issues.

BOC in link with NEC to market medical equipment in Japan

By Andrew Hill

BOC GROUP, the British industrial gases and healthcare company, is to link up with a subsidiary of NEC Corporation, the Japanese electricals company, to market medical equipment in Japan.

The new subsidiary will have total capitalisation of Y100m (£390,000), of which 55 per cent will come from BOC and the balance from NEC San-ei Instruments.

NEC San-ei already distributes medical equipment, including monitors, produced by the BOC company Ohmeda.

The British group is also involved in respiratory care products and anaesthesia systems, while NEC San-ei mainly manufactures patient monitors.

The new joint venture, to be called Ohmeda & San-ei, will be based in Tokyo.

BOC announced in March that it might float off its healthcare division, but restructuring in preparation for such a move is expected to take at least 12 months.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
British Airways	fin	6.05	-	5.25	8.85	7.75
Brit & Amer Film	fin	5.65	June 28	5.05	8.3	7.425
Chesterfield	fin	11.1	July 10	10	17.6	16
Gates (Frank G)	fin	2.75	July 17	2.75*	2.75	2.75
Monks Inv Tst	fin	4.2	July 31	3	6	4.5
Prowting	fin	3.3	-	3.3	5	5
Ralston Inv Tst	fin	1.275	-	1‡	2	1‡
Readicut Intl	fin	2.81	-	2.59	3.44	3.16
Scott's Rest	fin	8.6	Aug 10	4.3	8.6	4.3
Shires Invest	fin	5.5	July 31	5.45	16.75	15.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡For five months.

BOARD MEETINGS

TODAY

Interims- Bett Bros, Cauldon, Compass, Countryside Properties, Ferry Pickering, Perpetual, Whessoe, Yorkshire Television.

Finals- Abtrust New Dawn, AmBrit International, Chamberlin & Hill, Courtaulds, Isopad International, Land Securities, REA, Tribble Harris, Trimoco.

FUTURE DATES

Interims-	
ABI Leisure	June 6
Brooke Tool Engineering	June 1
Caspen Oil	May 30
Evans Halshaw	Aug. 15
M & G	May 31
TSB Channel Islands	May 31
Finals-	
CML Microsystems	June 4
Empire Stores	July 10
Optometrics	June 4
Physu	May 30
Ritz Design	May 29

Tace management considers proposals for cash buy-out

By Vanessa Houlder

THE MANAGEMENT of Tace, the control equipment group that has been put up for sale by its major shareholders, yesterday announced that it was considering a buy-out.

A group including Mr Dick Richardson, managing director, and certain US managers, said they were investigating proposals which might lead to a cash offer.

Their announcement follows a statement on Monday by shareholders owning 46 per cent of Tace that they wished to sell their holdings.

Mr Timothy Lebus of Charterhouse Bank said that the management group proposed to keep intact the group, including Goring Kerr, a 52 per cent owned quoted subsidiary. The management team are being advised by Charterhouse Bank and Castleforth Fund Managers.

Générale has 2.3% of NW Water

By Andrew Hill

COMPAGNIE Générale des Eaux, France's largest water supplier, yesterday confirmed that it owned a 2.3 per cent stake in North West Water, one of Britain's largest water companies.

It is the first official indication of Générale's investments in the newly-privatised water companies.

However, the French company would not comment on whether it intended to increase its holding in North West or whether it owned stakes in other water companies.

Générale already controls four of the much smaller statutory water companies in the UK, and built up its North West holding last December when trading began in shares of all 10 former water authorities.

North West, one of only two British water companies listed on the FT-SE 100 Index, said yesterday that it had not met Générale but regarded the French company in the same light as any other shareholder.

Lyonnaise des Eaux, Générale's great rival, announced holdings in three of the privatised companies – Anglian Water (9 per cent), Wessex Water (6 per cent) and Severn Trent (2 per cent) – within a week of the start of dealings in December. Fully-fledged takeover attempts would be prevented by the Government's special "golden share" in each of the newly-privatised groups.

Until this week Générale, which has generally kept a lower profile than Lyonnaise, had not revealed any holdings. Investors are not obliged to declare stakes of less than 5 per cent.

North West's partly-paid shares rose to a peak of 171p in February, against the flotation price of 100p, but have since slipped back. They closed at 161p yesterday, up 4p.

A third French investor in the British water industry – SAUR, a subsidiary of the construction group Bouygues – has also kept any investments in the larger water companies to itself. Between them, SAUR, Générale and Lyonnaise control 12 of Britain's 29 statutory water companies, which supply water alongside the former water authorities.

Last month, a plan which might have left Générale in control of two more statutory water companies was thwarted when the Monopolies and Mergers Commission ruled that a proposed merger between the two companies and a third, owned by Générale, would be against the public interest. However, Mr Ian Byatt, director-general of water services, was given three months to show whether benefits from cost savings as a result of the merger could outweigh public interest concerns.

US programme plans setback for TVS

By Raymond Snoddy

MR JAMES Gatward's TVS Entertainment has suffered a blow to its programme-making ambitions in the US.

Capital News, the company's prestigious newspaper drama, has not won renewal on the ABC network.

When ABC announced its autumn schedules earlier this week, Capital News, a drama loosely based on the Washington Post, was not among them.

Mr Gatward, who was in New York to hear the schedules announced, had kept the elaborate $400,000 (£236,000) newspaper office set in mothballs at MTM's Los Angeles studios when the 13 part series was completed in the hope that a new series would be commissioned.

Capital News was one of four programmes that MTM, the US production subsidiary of TVS, the independent television company, had accepted for the US networks this season.

The first, Newhart, a comedy series in its eighth year, ends this year.

CBS and NBC will each decide on the future of their MTM shows – City and FM – within the next ten days.

All three new shows were taken off the air temporarily during the May ratings sweeps when the networks concentrate on their most popular programmes – not the same as cancellation but usually not a good sign for the chances of renewal.

But if all three programmes fail, and only 15 to 20 per cent of shows get a second run in the US, it will mean that MTM, which cost TVS $320m, will have little more to offer for the immediate future than library programmes such as Hill Street Blues, St Elsewhere and Lou Grant.

NEWS DIGEST

Chesterfield Properties tops £12m

A RISE OF almost £10m in rental income to £24.34m helped Chesterfield Properties increase pre-tax profits by 14 per cent to £12.13m in 1989, against £10.67m. The rise was achieved in spite of an increase in interest charges from £2.83m to £10.03m.

Net asset value at the end of the period was 1,434p, against 1,362p a year earlier. Mr Roger Wingate, managing director, said that although the increase in net asset value was modest he was grateful that the gains of the last two years had been consolidated against the background of a deteriorating property market.

Earnings per share were 34.33p (32.88p). A final dividend of 11.1p (10p) is proposed making a total of 17.6p (16p).

Portfolio restructure benefits Monks

The net asset value of The Monks Investment Trust improved 18 per cent, from 324.8p to a record 383.2p per share, over the 12 months to April 30 1990.

During the year the trust's portfolio was restructured with increased commitment to Europe, especially West Germany and France, while the UK interest was reduced from 39.2 per cent to 28.9 per cent with the portfolio adopting a more defensive character.

Net revenue amounted to £5.05m (£3.72m) and earnings per share expanded from 4.79p to 6.51p. A proposed final dividend of 4.2p makes a total of 6p (4.5p) for the year.

Scott's Restaurant nears £700,000

Scott's Restaurant, operator of restaurants in London, reported pre-tax profits of £694,000 in 1989, compared with a loss of £420,000 in the previous year.

The company said that high interest rates did not appear to affect trading in the second half but added it was too early to predict the outcome for 1990.

The result was helped by a profit on sale of investments and other income of £281,000 (£87,000) and interest receivable of £3,000 against a charge of £130,000 last time.

Turnover was £6.77m (£6.23m). After tax of £220,000 (£36,000) earnings per share were 80.85p (81.24p losses). A single dividend of 8.6p (4.3p) is proposed.

Personal Assets nav declines 6%

Net asset value of Personal Assets Trust fell by 6 per cent from 61.44p to 57.74p over the year to April 30.

Earnings per share decreased to 1.09p (1.46p), mainly reflecting a lower level of liquidity being held throughout the year compared with 1989.

Total income for the year was down from £476,000 to £395,000 and after interest and expenses, little changed at £176,000 (£171,000), pre-tax profits came out at £219,000 (£305,000).

The dividend is maintained at a proposed 1p (there was additionally a special payment of 0.25p in 1988-89 making 1.25p).

European Project Investment Trust

Net assets per 10p share of the European Project Investment Trust stood at 49.2p at the end of December 1989.

Stock Exchange listing for the trust was granted on December 5. Directors said that during the short period of the company's existence insufficient income had been generated to justify payment of a dividend for 1989.

By April 30 this year, net asset value had risen to 51.9p.

Assets setback at Ralston

Net assets of Ralston Investment Trust stood at 78p at March 31 1990 – a decline of 16 per cent on the 93.4p of a year earlier.

Net revenue of the trust, 75 per cent owned by Caledonia Investments, amounted to £528,000 (£274,000) for five-month period to end-March 1989). Earnings per share emerged at 2.2p, up from 1.14p. A final dividend of 1.275p is proposed.

Shires Investment raises revenue

Shires Investment suffered a fall in net asset value in the year ended March 31 1990 from 300.16p to 287.26p per 50p share, or from 251.73p to 242.38p fully diluted.

Net revenue however, increased from £2.61m to £3.01m, after tax of £895,000 (£871,000). Fully diluted earnings per share were 16.43p (15.19p) and the recommended final dividend was 5.5p for a total of 16.75p (15.5p).

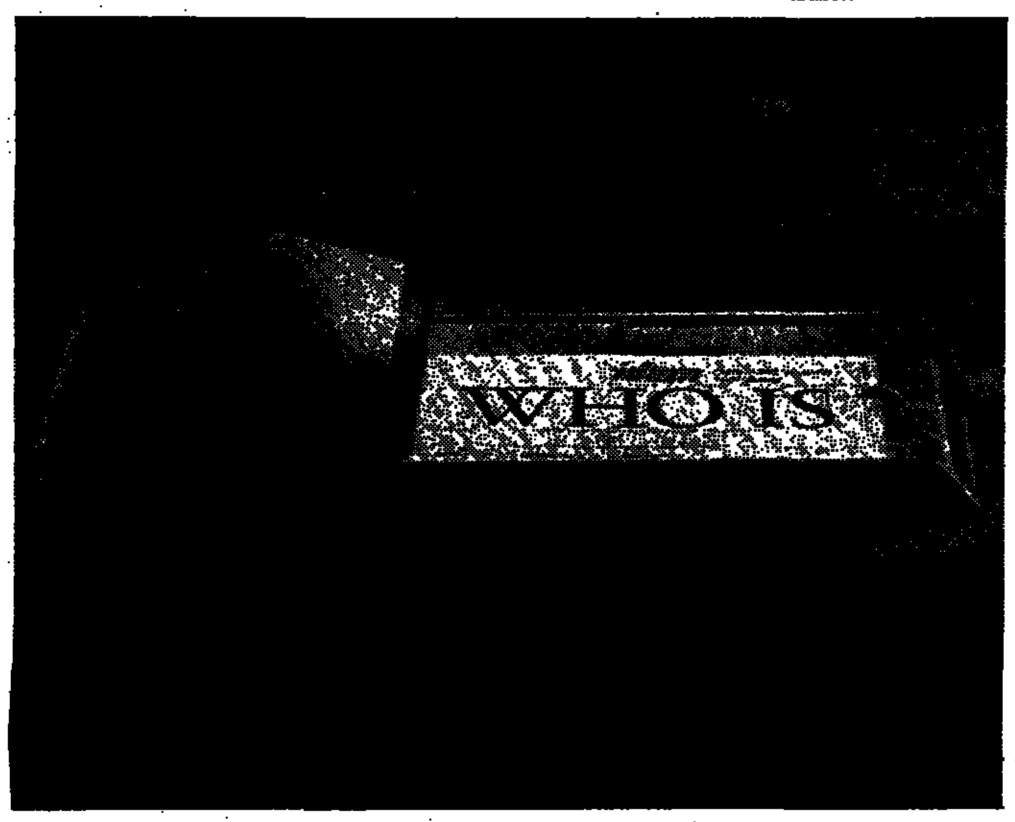
Gross revenue advanced from £6.53m to £7.04m.

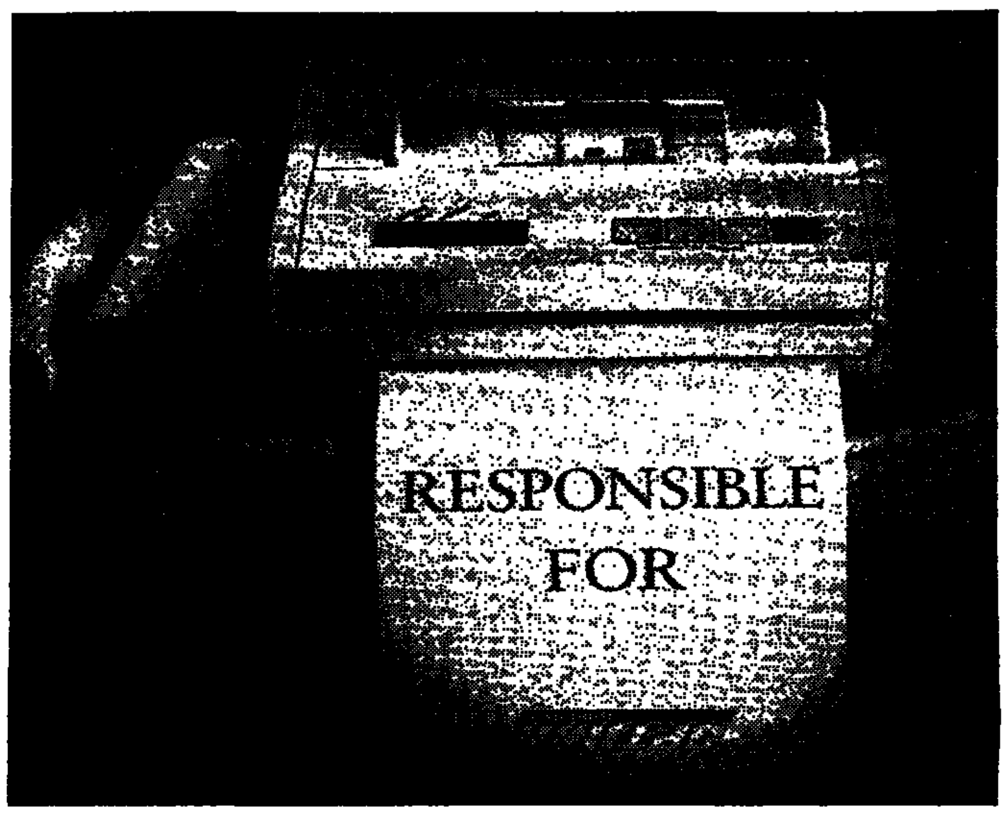
F&C Eurotrust nav improvement

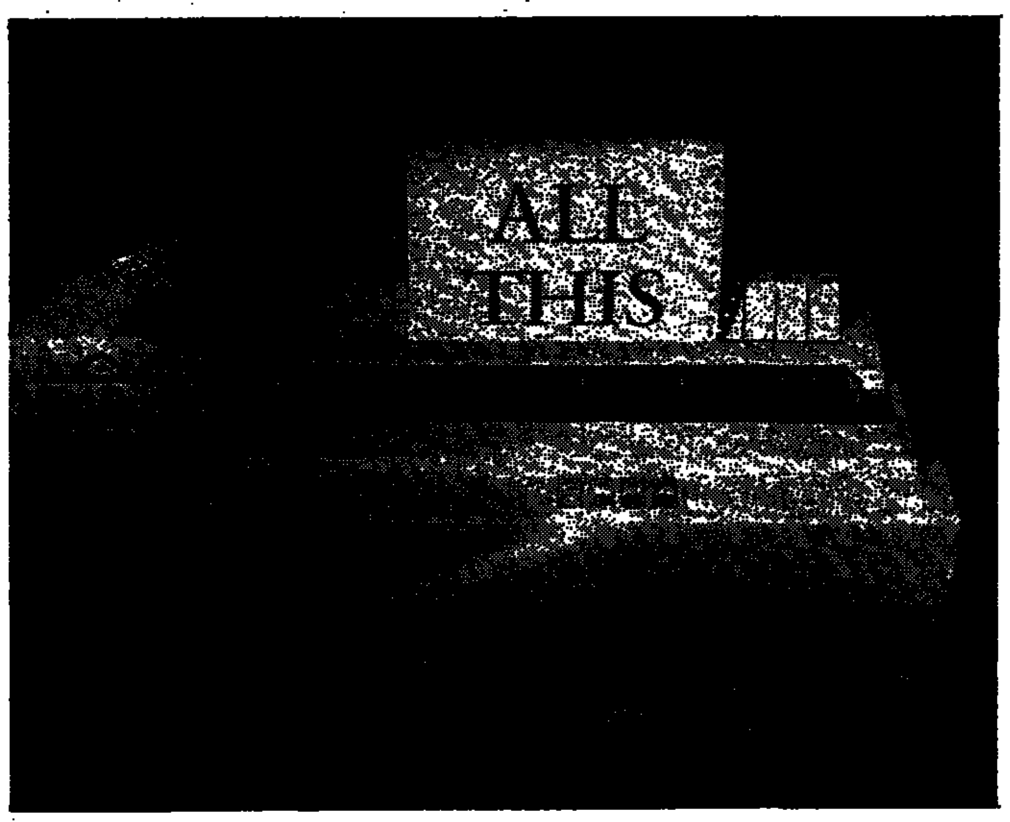
F&C Eurotrust reported a net asset value at March 31 of 393.8p per share at par and 376.3p per share fully converted. The figures compared with 296.9p and 276.2p respectively 12 months earlier.

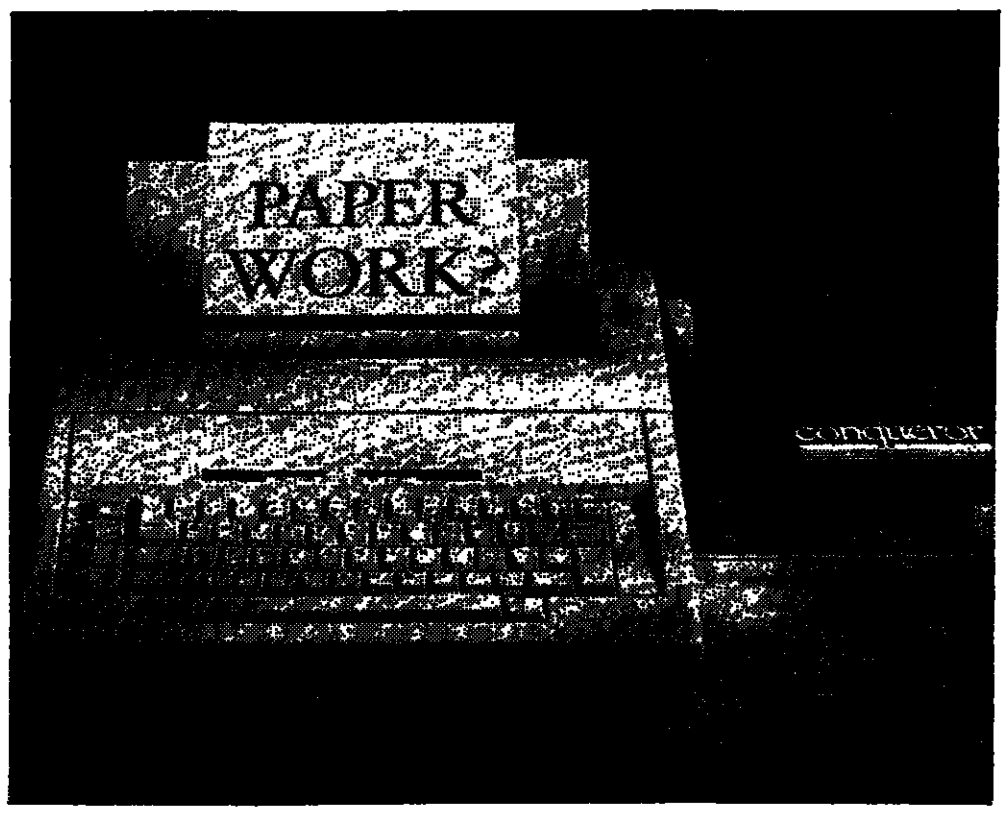
As usual, the trust announced a net deficit for the six months to end-March – £380,000 against £137,000 – reflecting the fact that most European companies pay their dividends in the summer months.

The loss per share worked through at 1.79p (0.75p).









UK COMPANY NEWS

Prowting weathers storm with £16m

By Jane Fuller

PROWTING, the Ruislip-based housebuilder, limited the fall in its pre-tax profit to 27 per cent in a year in which the number of homes it sold more than halved.

While only 704 units were sold in the year to February 28, compared with 307, turnover fell by 23 per cent to £61.84m (£80.12m). Taxable profit, dented by a near sixfold increase in interest to £3.23m (£550,000), declined from £21.95m to £16.12m.

Mr Terry Roydon, managing director, said the company had stuck by its policy of maximising margins rather than sales.

The average selling price had risen from £107,000 to £141,000, partly because more large houses were sold and partly because of price rises in 1988 and early 1989.

He was expecting the average price this year to be £125,000. The volume of sales had been at 80 per cent of last year's level in the first five months of 1990.

To try to protect margins, overheads had been cut, including making 100 of the 400 employees redundant.

A deferred payment of £12m for land bought before February 1989 was the main reason for debt increasing to £18.4m (£7.3m), giving gearing of 24 per cent.

Mr Roydon said it had not been bought at a high price. Most of the company's land bank was "old and cheap." The average price per acre was £125,000 and for the average plot the land cost represented only 15 per cent of the expected selling price.

It has sites with planning permission for 5,500 houses and further tranches with the potential for 3,500 units.

Prowting also deals in land. Last year two sites were sold with commercial/industrial planning permission, one of which had been converted from residential to a supermarket proposal.

Earnings per share fell to 16.6p (23.3p). A recommended final dividend of 3.3p makes an unchanged total of 5p.

● **COMMENT**

Although this 80 per cent family-owned company is weathering the building storm with comparative calm, the worst billows have blown in since the year-end. Before that, in spite of the priority given to protecting margins, they were eroded in the second half – prior to the last turn of the mortgage screw. Apart from the difficulty of the southern housing market, it is likely that the company will reap rather less from non-residential land sales this year. Interest payments may rise a little further, but partly for good long-term reasons as Prowting uses its balance-sheet strength to pick up pieces from fallen rivals. The picture of long-term strength is confirmed by the land bank and an estimated asset backing of 200p per share. A pre-tax profit of £11.5m gives a prospective p/e of 11.5, reflecting the company's quality in what is generally seen as a disaster area.

Globe holder criticises Coal pensions' bid

By John Thornhill

SIR JOHN WOOLF, chairman of British & American Film Holdings, the investment and film library company, has taken the unusual step of speaking out about the current hostile bid by the British Coal pension funds for Globe Investment Trust.

In his statement accompanying B&A's annual results, Sir John criticised the pension funds for making a bid which threatened shareholders with a forced crystallisation of tax liabilities.

"It seems entirely irrational that privileged tax exempt funds should be in a position to force tax paying companies and individuals to become liable to Capital Gains Tax through no action of their own, and I suggest that this calls for some action to be taken by the institutions and possibly the regulatory authorities," he said.

Sir John suggested that there was a strong case for a complete exemption from Capital Gains Tax in respect of long-term holdings of over five years. "I think short-term CGT is fine but long term it is not," he said yesterday.

B&A – which holds 170,000 shares in Globe Investment Trust – was recently forced to sell its long-standing holding in the Smaller Companies International Trust following a takeover by the British Steel Pension Fund.

Although in this case, B&A accepted a loan stock alternative it will still be liable for CGT on redemption of this stock.

The company announced yesterday that its net asset value, excluding film rights, had risen to 795.4p at the end of the period (580.7p).

Pre-tax profits were £927,235 (£714,790). Earnings per share amounted to 25.04p (19.58p) and the proposed final dividend of 5.65p brings the total to 8.3p (7.425p).

Platon maintains recovery with £0.4m

RECOVERY measures taken over the past two years enabled Platon International, the USM-quoted instrumentation concern, to maintain the improvement shown at the interim stage and to exceed budgeted profits.

Following the return to profit at midway with £165,000 (£134,000 loss), the company turned in £408,000 pre-tax for the year ended March 30 1990. This compared with a £561,000 loss previously, of which £506,000 related to the former electronics division.

Turnover on continuing activities improved 14 per cent to £5.18m (£4.56m), while exports rose by 15 per cent. Earnings per share were 5.7p (13.2p losses).

Borrowings were reduced to give a year-end gearing of 68 per cent, down from 140 per cent a year earlier.

Mr James Butterfield, chairman, said 1989-90 had seen a rise in turnover and a return to profitability as the company had concentrated on the core instrumentation business.

"We must build upon this foundation to ensure that these trends continue and that the group generates sufficient profits to enable a return to the payment of dividends to shareholders in the foreseeable future" he said.

30% annualised pay rise for Mecca chief

Mr Michael Guthrie, chairman and chief executive of Mecca Leisure, last year earned a salary of £145,000, according to the company's annual report.

That compared with £139,000 for the 15 months to the end of 1988, equivalent to an annualised £119,000, and represented an annual rise of 30 per cent.

Mecca shares fell sharply last month after the company shocked the City with the extent of its borrowings. It made pre-tax profits of £91.1m on turnover of £588m in the year to December 31.

Two other directors earned between £95,000 and £100,000 in the period.

FT LAW REPORTS

Prospective tenant who acquires only at will loses premises

JAVID v AQIL
Court of Appeal (Lord Justice Mustill, Lord Justice Ralph Gibson and Lord Justice Nicholls): May 15 1990

A PROSPECTIVE tenant who pays quarterly rent for possession of premises pending negotiation of the lease is not presumed to have acquired a quarterly tenancy, unless circumstances imply that was the parties' intention; and accordingly, where their intention is unascertainable in that they fail to agree terms, he acquires only a tenancy at will terminable without notice.

The Court of Appeal so held when dismissing an appeal by the defendant Mr Aqil, from Judge Stucley's decision in the County Court ordering him to give up possession of business premises to the plaintiff owner, Mr Javid.

LORD JUSTICE NICHOLLS said that Mr Javid owned a property at 188 Brick Lane, London E1.

On June 25 1985 he met Mr Aqil for the first time. Mr Aqil had lost his place of business and had nowhere to continue manufacturing leather goods.

The two of them discussed terms for the grant of a lease of 188 Brick Lane. From the beginning there were difficulties. For instance, there was disagreement on whether Mr Aqil should be free to sublet part of the property.

Mr Aqil was in an awkward situation. He had nowhere to go and he needed somewhere to leave his stock. Mr Javid took pity on him.

Mr Aqil paid £2,500 and was given the keys, in anticipation that they would be able to agree terms of a lease in due course. Mr Javid signed a receipt for £2,500 received "as rent for three months in advance".

Mr Aqil moved in, but Mr Javid had workmen there carrying out structural repairs. That led to disagreement between the parties and after a fortnight Mr Aqil moved out.

His solicitors asked for "the deposit" to be returned. After a short while the parties composed their differences sufficiently for Mr Aqil to move back.

Their solicitors were in communication regarding the proposed terms of the lease.

By September 30 matters had progressed to the stage of engrossment of the lease for execution together with a completion statement made up as at October 21. The lease was for 10 years at £10,000 a year payable quarterly in advance of the usual quarter days.

Eventually Mr Javid's workmen left the property. Mr Aqil found it still had many shortcomings. He spent £2,000 installing electric wiring.

Completion did not take place on October 21.

Mr Aqil was ordered to pay the rent quarterly in advance, but he objected to paying an additional £2,500 as a deposit in respect of potential damage to the property and arrears of rent.

On November 11 he made a second payment to Mr Javid, of £1,878, the difference representing insurance. By mid-December Mr Javid's solicitors were pressing for completion.

On January 10 1986 Mr Aqil paid another quarter's rent in advance. Mr Javid pressed again for completion by January 14. The parties were unable to resolve their disagreement about payment of deposit.

On July 4 Mr Javid commenced possession proceedings.

Judge Stucley gave judgment in favour of the Mr Javid on December 14 1987. Mr Aqil now appealed.

The sole issue was whether Mr Aqil went into occupation as a tenant at will, or as a quarterly tenant.

A tenancy at will existed where either party might determine it at any time.

A periodic tenancy was one which continued from period to period indefinitely until determined by proper notice.

Mr Javid asserted that he had allowed Mr Aqil into possession as a tenant at will, pending the outcome of negotiations.

Mr Aqil pleaded that he held a periodic tenancy.

Mr Harvey, for Mr Aqil, submitted that proof of possession and payment of quarterly rent raised a presumption in favour of periodic tenancy which could only be rebutted by express agreement for a tenancy at will.

Alternatively, he submitted, if a substantial sum had been paid as advance rent, that presumption was not rebutted by the fact that the grant of a lease was under discussion.

His submissions were not accepted.

Tenancy sprang from a consensual arrangement between two parties. The extent of the right granted and accepted depended primarily on the intention of the parties.

As with other consensually-based arrangements, parties frequently proceeded with an arrangement whereby one person took possession of another's land for payment, without having agreed or directed their minds to one or more fundamental aspects of the transaction.

In such cases the law, where appropriate, had to step in and fill the gaps in a way which was sensible and reasonable.

It would imply from what was agreed and all the surrounding circumstances, the terms the parties intended to apply.

Thus, if one party permitted another to go into possession on payment of rent at so much per week or month, *failing more* the inference sensibly and reasonably to be drawn was that the parties intended there should be a weekly or monthly tenancy.

The qualification "failing more" was emphasised. Frequently there would be more. Nowadays there normally would be other material surrounding circumstances.

The simple situation was unlikely to arise often, not least because of the extent to which statute had intervened in landlord/tenant relationships.

Where there was more than the simple situation the inference sensibly and reasonably to be drawn would depend on a fair consideration of all the circumstances, of which payment of rent on a periodical basis was only one, albeit a very important one however large or small the amount of the payment might be.

Where parties were negotiating the terms of a proposed lease and the prospective tenant was let into possession or permitted to remain in possession in advance of or in anticipation of terms being agreed, the fact that the parties had not yet agreed terms would be a factor to be taken into account in ascertaining their intention. It would often be a weighty factor.

Frequently in such cases a sum called "rent" was paid in accordance with the terms of the proposed lease. But depending on all the circumstances, parties were not to be supposed thereby to have agreed that the prospective tenant should be a quarterly tenant.

They could not sensibly be taken to have agreed that he should have a periodic tenancy with all the consequences flowing from that, at a time when they were still not agreed about the terms, and when he had been permitted to go into possession as an interim measure in the expectation that all would be regulated and regularised in due course.

When and so long as such parties were in the throes of negotiating larger terms, caution must be exercised before inferring or imputing an intention to give the occupant more than a very limited interest, be it licence or tenancy.

In *Doe v Crago (1848) 6CB 90* Chief Justice Wilde said that on proof of payment of rent in respect of premises ordinarily let from year to year, "the law will imply that the party making the payment holds under a tenancy from year to year . . . But it is competent to either the receiver or the payer of such rent to prove the circumstances under which the payments for rent were so made, and by such circumstances to repel the legal implication which could result from the receipt of rent, unexplained."

The case was clear authority for the proposition that regard must be had to the particular circumstances in which the rent payments were made.

So far as could be seen from the authorities, the principle had never been doubted. The decision was inconsistent with Mr Harvey's submissions.

Mr Harvey relied on a brief passage in the judgment in *D'Silva v Lister House Development [1971] Ch 17,31*, where Mr Justice Buckley, holding that a lease had been executed, considered the position if he were wrong and said with regard to entry into possession on payment of a quarter's rent, "If I . . . assume that there never has been any effective lease, the effect must be that the plaintiff became a quarterly tenant".

Mr Justice Buckley was doing no more than applying the established principle to the particular facts of the case.

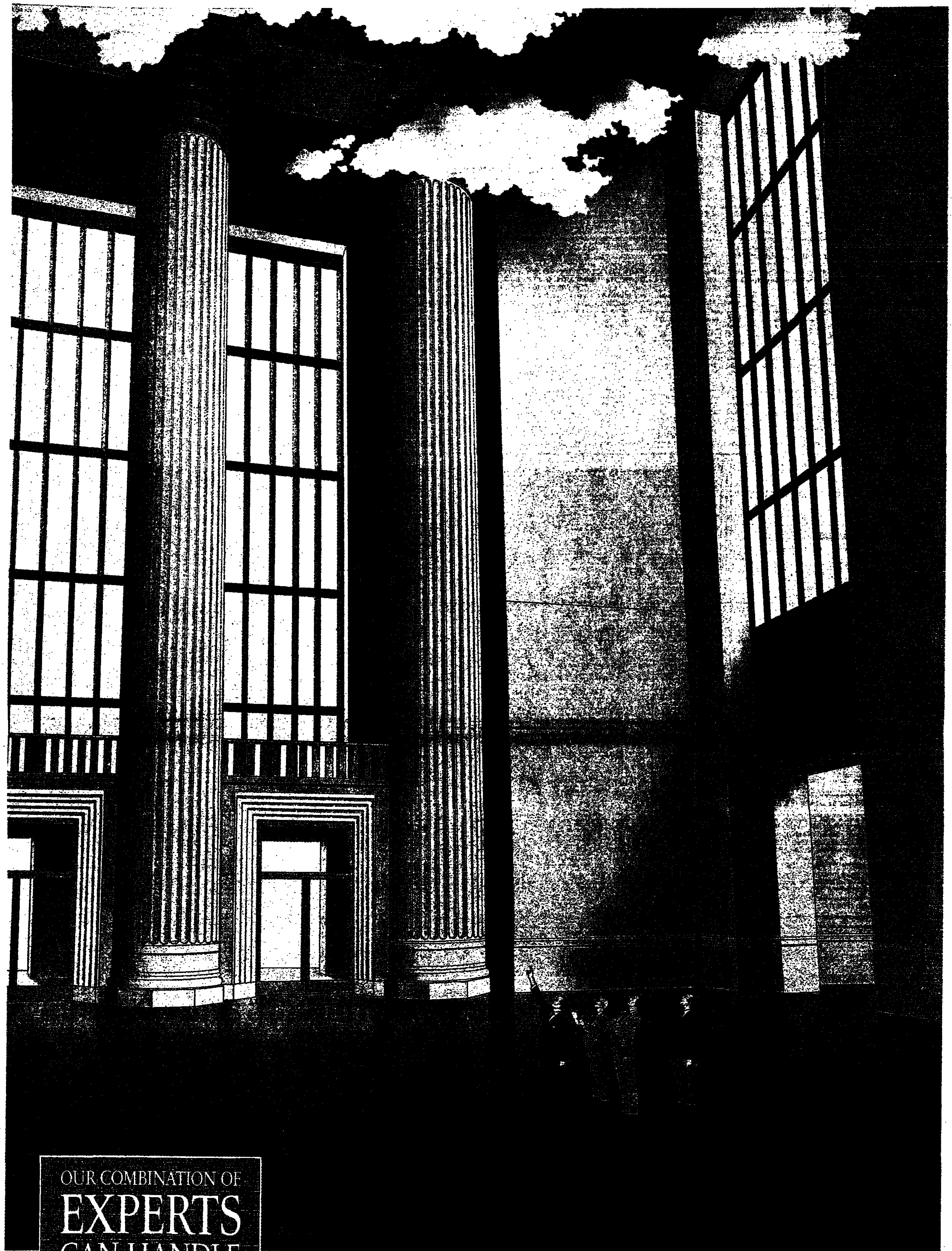
None of the recent authorities supported Mr Harvey's submissions.

Judge Stucley held that no periodic tenancy was created when Mr Aqil moved his stock into 188 Brick Lane, because there were too many outstanding differences between the parties. He gave as an example the disagreement over subletting.

There was no ground for disturbing the judge's conclusion. The appeal was dismissed.

For Mr Javid: Colin Challenger (Hawker & Co).
For Mr Aqil: Peter Harvey (Kumar & Co, Ilford).

Rachel Davies
Barrister



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Corporate Finance

FT LAW REPORTS

Directors not obliged to act as liquidators to help creditors

RE WELFAB ENGINEERS LTD
Chancery Division:
Mr Justice Hoffmann:
May 17 1990

DIRECTORS WHO sell the company's assets in an honest attempt to save the business and jobs, are not obliged to act as liquidators to the advantage of creditors; and accordingly, having acted in good faith, they are not in breach of duty if the sale may have been at minimal undervalue and leaves a creditors' deficiency on winding up.

Mr Justice Hoffmann so held when dismissing a misfeasance summons brought by the liquidators of Welfab Engineers Ltd, against two former directors, Mr Anthony Trout and Mr James Wright.

HIS LORDSHIP said that on March 15 1983 the two directors sold the company's freehold premises, equipment and work in progress for £110,000. A winding up order was made on June 20 1983.

The creditors' deficiency was estimated at £43,000. The liquidators alleged that the sale of assets was at a gross undervalue and in breach of the directors' fiduciary duties.

The company was profitable until 1979. It then suffered a number of setbacks. One of its shareholders and directors set up a competing business and took away customers.

A customer's insolvency resulted in a bad debt of £43,000. Business was badly affected by the recession which laid waste the Midlands engineering industry in 1980-82.

In late 1982 the company was trading at a loss, and was being pressed by the bank to reduce its borrowing.

The principal asset was the freehold premises, valued in May 1982 at £145,000. At the beginning of 1983 it appeared to the directors that the only way the company could go on trading would be to sell the property and move into smaller rented premises.

The bank had a charge over the land which would have to be paid off.

Whether the balance would enable the company to pay enough of its debts to go on trading was not clear. It seemed that a price of at least £140,000 would be needed.

In early November 1982 the directors instructed an estate agent to ask £200,000, but to indicate a willingness to take less.

They asked for marketing to be discreet, without advertising or sale boards, to avoid drawing attention to the company's difficulties.

At the same time the company was in negotiation with a company called Euramco Engineering, which was interested in buying the whole undertaking and continuing to employ all or most of the 15 or so employees, including Mr Wright and Mr Trout.

Euramco was offering £120,000 for land, equipment and work in progress, leaving the company with outstanding debtors.

It was also asking the directors to warrant that all the company's creditors would be paid.

That caused difficulty, because it was clear that £120,000 would not be enough for the purpose. There was also some confusion over whether a job for British Rail, in respect of which a £15,000 invoice was about to be issued, was work in progress included in the sale.

On February 24 1983, the estate agent elicited an offer of £125,000 for the premises and some of the factory fittings, from a company called Bell & Webster (Steel Structures) Ltd. Euramco had fixed a deadline of Monday February 28 for exchange of contracts on its proposal.

Because time was so short the directors instructed acceptance of the offer on the basis that it was only subject to contract and that acceptance would enable the legal formalities to proceed while they decided whether to accept it or not.

On February 28 there were three offers: Euramco, Bell & Webster and Thermaspan Roofing Co Ltd.

Discussion with Bell & Webster proceeded on the assumption that after selling its property the company would continue in business.

There was discussion of a leaseback of the premises to the company. A rent was named and there was talk about the facilities which would be made available.

The directors knew that unless the price was considerably more than £125,000 none of that would be possible.

The company would be unable to pay enough creditors to stay in business. They could not persuade Bell & Webster to increase its offer.

It was clear that acceptance could only be followed by immediate liquidation of the business.

Thermaspan, which wanted to take over the business as a going concern, seemed the more attractive prospect.

The directors decided to allow the Euramco offer to lapse and to leave the Bell & Webster offer on the table only long enough to enable them to find out more about what Thermaspan had in mind.

It offered £110,000 for the same assets as Euramco wanted, that was to say everything but the book debts. But it *was content to treat the £15,000* British Rail invoice as a debt, which made its offer worth that much more than Euramco's.

It agreed to take over the entire work force. It took on Mr Wright and Mr Trout, and they had worked for it ever since.

Of the £110,000 more than £103,000 went to repay the bank as debenture holder, leaving very little for other creditors when the company was wound up three months later.

The liquidators' case was that the directors acted improperly because they gave priority to preservation of the business and employees' jobs, including their own.

If they had advertised the property they might have got nearer the £145,000 valuation. At least they should have accepted the £125,000 offered by Bell & Webster, which would have left them the book debts, work in progress and some of the equipment.

On their evidence, the directors did not regard it as their function to act as informal liquidators on a winding up of the business itself. For that reason, having appreciated that the Bell & Webster offer would not allow the business to continue, they decided to pursue it no further.

It was entirely speculative whether more than the Bell & Webster price could have been obtained by wider marketing. The directors rightly regarded the time in which they had to act as very short. The bank was in constant touch.

The company was incurring losses and ran the risk of trading while insolvent. The market for industrial property in the Midlands was glutted by premises of other failed companies.

It therefore could not be assumed that the directors, in the time available to them, could have obtained more than £125,000.

There were also certain imponderables to be taken into account. For example, although Bell & Webster, if asked, might have given £125,000 for the land whether or not the company wanted a leaseback, that could not be certain.

Although the difference between the Thermaspan offer and the Bell & Webster offer might appear to be £20,000, that sum had to be discounted for imponderables.

On that basis, even on the assumption that the directors should have undertaken the task of liquidating the business, there was not a great deal between the two offers.

The liquidators accepted that if they had decided to invite the appointment of a receiver, the chances that the creditors would have done any better would have been minimal.

Mr Parker for the liquidators said that was no answer. It only showed that the directors could have done worse. Having undertaken the task of realising the assets, they should have done so to the best advantage of creditors.

That would not be fair or realistic. The directors were entitled to take the view that if the business could not be saved, liquidation was not a task they were required to undertake. If they had decided to invite a receiver or wind up the company, with all the consequences that would have involved, they could not possibly have been criticised.

Therefore, in judging the propriety of the directors' actions, they should be compared with the alternatives of receivership or liquidation, in accordance with recent developments in insolvency law intended to encourage trying to save the business, rather than destroy it.

An honest attempt to save the business *should not be* judged by a stricter standard, particularly against the background of pressures which must have been imposed on directors by widespread unemployment and industrial devastation in the Midlands at the time.

Mr Wright and Mr Trout were completely honest and believed in good faith that they were entitled to enter into the Thermaspan deal. They were not in breach of duty, and the summons must be dismissed. If that were wrong, they had acted honestly and reasonably and ought fairly to be excused from liability under section 727 of the Companies Act 1985.

For the liquidators: Christopher Parker
For the directors: Jane Giret (Dennis, Faulker & Alsop)

Rachel Davies
Barrister

COMMODITIES AND AGRICULTURE

Vaccination of EC cattle provokes row in Brussels

By Tim Dickson in Brussels

STRONG national misgivings were expressed by Farm Ministers in Brussels yesterday about an EC plan to abandon the practice of vaccinating animals against foot-and-mouth disease.

Belgium and Italy were reported to be the most reluctant to accept the European Commission's proposal, seen in Brussels as an essential step if the Community is to achieve a genuinely unified market for trade in animals and animal products.

France, West Germany, Portugal and Spain also had reservations about the proposal as it currently stands.

The impasse demonstrates the difficulty of the task facing the Irish presidency of the Community over the next few weeks as it tries to make significant inroads into the huge backlog of directives covering the sensitive issues of plant and animal health.

With an outline agreement on measures to cope with outbreaks of African horse sickness as the only tangible achievement the presidency has to show for this week's efforts, the stage is set for a tough bargaining session at the Agriculture Council meeting on June 25-26.

Britain, Ireland, Denmark and Greece are the only countries of the EC at the moment that rely solely on a compulsory slaughter for fighting foot-and-mouth disease.

Paul de Keersmaeker: opposes the proposal on principle

It is conventional wisdom in the Commission, however, that all community members should switch to this system because of the external trade implications by 1992, because vaccination is unnecessarily expensive and because quantities of "live" vaccine are actually suspected of causing several recent outbreaks of the disease.

Mr Paul de Keersmaeker, the Belgian Minister of Agriculture, left the other ministers in no doubt about the seriousness with which he regards the issue, and stands alone in opposing the Commission's proposal on principle (although the Italians were also making surprisingly hostile noises this week).

Other EC members were anxious that more funding should be provided in the event of a crisis, and about measures for maintaining a vaccine bank, just in case. They also voiced concern over the ability of member states and the Commission to cope in the event of an outbreak.

Spain is particularly concerned about funding and wants the Community to pay at least 60 per cent of the costs of slaughter to combat foot-and-mouth and at least 50 per cent for other diseases.

● On the basis of "if there's a problem, set up a committee," EC Farm Ministers yesterday agreed to convene a special group of agricultural and environmental experts to examine the implications of the Commission's controversial proposed directive on the use of nitrate fertilisers.

Its conclusions will be submitted via EC ambassadors to next month's meeting in Luxembourg of EC Environment Ministers.

Settlement in Transnor Brent trading dispute

By Steven Butler

EXXON, THE US oil group, yesterday said that it had together with Conoco reached an out-of-court settlement with Transnor, the Bermuda-registered oil trader, in a dispute involving the forward market for North Sea Brent oil.

It was not immediately clear, however, whether settlement of the case would alleviate concern that all trading on the market may be subject to US legal jurisdiction.

An opinion by district court Judge William Connor in New York last month, that the Brent market was primarily a US futures market, had caused a decline in market liquidity as traders shunned deals with US partners.

The settlement, the terms of which were not disclosed, will end legal action in the case, but appears to have left standing the opinion that the market is subject to US jurisdiction.

"It raises the question and leaves it unanswered and unsettled," said one specialist on the market.

Transnor had claimed damages against a number of market participants for losses incurred in 1986, accusing them of manipulating prices downward to reduce UK tax obligations. The evidence for these accusations will not now be heard.

If the US court had ruled in favour of Transnor, there were potentially embarrassing implications for the UK tax authorities.

The UK Department of Trade and Industry and the US Commodity Futures Trading Commission last week published a joint view that "the Brent market is an international market and cannot be regarded as or regulated as if it were exclusively a US market."

The CFTC is expected to issue a ruling shortly that the market is a forward market not subject to the Commodity Exchange Act and thus CFTC jurisdiction.

This would clarify the legal underpinnings of the market on the fundamental question of whether US companies were in violation of US law by trading Brent forward contracts.

This is a separate question, however, from the establishment of standing in a US court for disputes between traders.

By recognising that the market is international in character, the UK Government appears to have given up claims to exclusive jurisdictional authority.

Settlement of the case will deprive the UK Government of an opportunity to have aired in the courts its view that Judge Connor's opinion was in violation of international law.

The possibility remains open that parties to disputed deals made in London may seek redress in US courts.

Phibro's 'synthetic oil field' coming to the market

By Steven Butler

PHIBRO ENERGY, the commodity-trading arm of Salomon Brothers, the investment house, is coming to market with a novel, tradable, oil investment product modelled on the depletion of an oil field over a 10-year period.

The product, Phibro Energy Oil Trust, which is dubbed a "synthetic oil field," allows investors a relatively pure oil price investment. It is the latest product in the market for long-dated forward trading of oil, which has been growing explosively over the past year.

The units may be of interest to investors betting that the price of oil will rise sharply in the next decade.

Mr Neil Besolin, of Phibro, said it would probably appeal to a wide range of investors, including, for example, fixed income portfolio investors.

Markets have recently seen several bond issues linked to oil prices. However, this appears to be the first issue which pays out on a regular basis according to a formula linked to oil prices.

Phibro is creating 4m tradable trust units, 3.92m of which will be offered for sale, with the balance held by Salomon Brothers. Holders of the units will be entitled to quarterly pay-outs over the 10-year life of the trust, depending on the oil price.

The assets of the trust will consist of 40 pre-paid forward delivery contracts with Phibro, which must purchase light oil for delivery and sale in Cushing, Oklahoma. This duplicates the delivery mechanism for the West Texas Intermediate crude futures contract, traded on the New York Mercantile Exchange. Nymex second-month settlement prices will be used in the pay-out formula.

The amount of oil to be delivered itself, however, is also geared to the oil price. At $20 a barrel, for example, 170,000 barrels a month would be delivered. According to the formula this falls to zero when average oil prices decline below $15, thus exaggerating the downside should oil prices fall, although there is a minimum quarterly delivery of 10,000 barrels.

However, deliveries and pay-out would rise if oil prices rose. If prices averaged $25, for example, delivery obligations would rise to 217,600 barrels a month.

The formula is designed to increase the pay-out when prices rise, but at a declining rate.

The initial offer price has not yet been decided, but is likely to be about $25 a unit. Units will be traded on NASDAQ, the US over-the-counter securities market.

Big rise in Israeli farm exports

By Hugh Carnegy in Jerusalem

AGREXCO, Israel's state-run monopoly farm produce export agency, says it is set to record a 37 per cent rise in export earnings in the 1989-90 season to $440m, with the volume of fruit and vegetable exports also rising sharply, to 150,000 tonnes.

With the bulk of the produce already shipped, Agrexco – which handles all farm exports except cotton and the dominant citrus fruits – said vegetable exports were especially strong. They had already reached about 90,000 tonnes, compared with 63,000 tonnes for the whole of the 1988-89 season. The agency said it expected a further 10,000 tonnes to be exported during the low-output months of the summer, bringing receipts from vegetable sales to $120m, against $75m last season.

Agrexco officials have attributed the much improved export performance to several factors, including high quality crops, favourable weather conditions, slack demand on the domestic market and largely favourable currency conditions in Europe, which takes more than 90 per cent of the sales.

The increase will be welcome news to the Israeli agricultural sector, which has been suffering severe difficulties recently and which has seen exports decline sharply as a portion of the total. Export volumes were at 200,000 tonnes less than five years ago.

State-funded financial help to hot-house farmers appears to have paid good dividends this year, with hot-house tomato exports jumping to 10,000 tonnes from 4,500 last time and peppers likewise rising sharply. Strong demand from France, Germany and Holland also saw potato shipments advance about 60 per cent to 40,000 tonnes.

On the fruit side, avocados recovered significantly from two disastrously weather-hit years to reach 38,000 tonnes, but still have some way to go to get back to the 60,000-tonne level achieved a few seasons ago.

Peru miners end Centromin lead and zinc strike

By Sally Bowen in Lima

ALL WORKERS at Centromin, Peru's main producer of zinc, lead and silver, had returned to work yesterday after a week-long strike. The state-owned company said the stoppage had cost them over $10m.

The majority of the 18,000 Centromin workers were back by Monday morning after a weekend settlement brought their monthly pay to the equivalent of $250.

Mr Jaime Cenzano, Centromin's president, said that a long strike could have caused the company to collapse entirely. Centromin output is worth $500m a year to Peru, he added.

Union leaders postponed a threatened resumption of the strike at the US-owned Southern Peru Copper Corporation after the Ministry of Labour indicated that a strike at such short notice would be illegal. SPCC had also made the conciliatory gesture of taking back four sacked workers.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium	−75	to 155,300
Copper	−2,575	to 76,100
Lead	−725	to 33,600
Nickel	+114	to 8,610
Zinc	−1,000	to 51,800
Tin	+225	to 11,720

Tea trade faces struggle to meet demand

By David Blackwell

THE MAIN problem for the $3bn-a-year tea trade was insufficient production to meet rapidly-increasing demand, the first UK Tea Convention was told yesterday.

Producers, merchants, agents and other representatives from 27 countries meeting this week in Eastbourne were urged to seize the opportunities of the coming decade. "Demand is likely to outstrip production – this must make for a profitable industry," said Mr Jimmy Hilditch, president of the Tea Buyers' Association and a director of Lyons Tetley.

World production of tea rose from 530m kg in 1952 to 1.64bn kg in 1988, with supply and demand roughly in balance.

However, over the same period the market changed dramatically. While the UK remained the single biggest tea-importing country, the London auction's share of the market fell to 3 per cent of world supply from 24 per cent in 1952.

Demand has been growing rapidly in India, the Soviet Union, the Middle East and other developing nations, more than offsetting a decline in the UK market. India, the world's biggest producer, has been struggling to balance the demands of the domestic market against the export trade. Given the expected population growth, potential demand is enormous.

Assuming 3 per cent annual growth in world demand, the market would need an extra 555m kg by 1998. But if the recent 5 per cent growth rate continued, an extra 1bn kg would be required, Mr Hilditch told the conference.

"Whatever happens, lack of demand is not going to be the problem," he declared.

Until now, production has grown rapidly, with yields of more than 2,000 kg a hectare being registered in some countries, compared with 500-1,000 kg in the early 1950s.

"But there must be a limit to how much a bush can produce – common sense suggests it will be difficult to match the improvements of the past," said Mr Hilditch. He warned that the recent slow-down in the rate of increase of new planting needed to be reversed.

Turning to the UK, Mr Hilditch said it could not be denied that the London auction was "but a shadow of its former glorious self." However, it did have several advantages: greater all-round expertise and across-the-board skills than any other tea marketing centres; excellent finance facilities to provide capital for production investment and finance for day-to-day trade; and excellent communications with the rest of the world.

London should aim to be a truly international market, he said, providing a transparent price mechanism and a barometer of world trade.

● The weekly London tea auction on June 25 will be held for the last time at Sir John Lyon House, where it has been since 1971. The July 2 auction will take place at the London Chamber of Commerce.

Australian wool industry resists price cut

THE AUSTRALIAN wool industry's opposition to a cut in the intervention price appeared to be hardening yesterday as Mr Hugh Beggs, chairman of the Wool Corporation, said the present level of A$8.70 (£3.93) a kilo was not negotiable, writes Kevin Brown in Sydney.

Mr Beggs told the Australian Wool Council's annual conference in Roma, Queensland, that it would be "suicidal" to cut the intervention price in the hope of short term gain.

The AWC, which markets wool internationally and operates the intervention scheme, sets the floor price in consultation with the Wool Council, which represents producers.

The council is expected to back the AWC's stand in spite of over-production and falling demand which has increased the corporation's intervention stockpile to 2.4m bales.

Mr John Kerin, federal Minister for Primary Industries, has the power to veto the corporation's decision, and has been pressing hard for a substantial cut in the floor price in order to reduce production.

He will address the council today in a final attempt to convince the industry that a cut is necessary before deciding whether to act unilaterally.

Mr Chip Sawers, president of the Wool Council, warned Mr Kerin not to underestimate the resolve of wool growers to stand together during difficult times.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,710-1,760 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 3.65-4.10 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 3.60-4.00 (3.80-4.10).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.90-8.20 (7.90-8.15).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 215-240 (215-230).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.95-3.05 (3.05-3.10).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.50-6.00.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 40-60 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 3.70-3.85 (3.85-4.05).

URANIUM: Nuexco exchange value, $ per lb, UO, 8.65 (9.00).

WORLD COMMODITIES PRICES

MARKET REPORT

THE Gold price mounted an assault on the $375-a-troy-ounce mark on the London bullion market yesterday. US fund-buying pushed the price above that level briefly but resistance proved stern and it edged back to close at $374.75 an ounce, up $1.50 on the day, under pressure from Middle Eastern selling. Nevertheless, traders suggested that if the wave of selling could be absorbed a new trading range of $372 to $378 an ounce might be established. On the London Metal Exchange copper prices rallied in response to an unexpected fall in LME warehouse stocks. The cash price rose £48 to £1,607 a tonne and the premium over the three months price widened from £72.50 to £93.50 a tonne. The zinc market built on Monday's late rally with cash metal closing $58 up at $1,752.50 a tonne, after meeting resistance. Traders said the rise was helped by supply tightness for June delivery dates. A break through chart resistance cleared the way for a $44 rise in the cash aluminium price to $1,564 a tonne. At the London Futures and Options Exchange cocoa prices recouped a early fall after fresh strike threats in the Ivory Coast rekindled nervousness about supplies.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.65-4.75q	-.075
Brent Blend	$17.33-7.37q	-0.10
W.T.I. (1 pm est)	$19.05-9.08q	-0.01
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$231-233	+1
Gas Oil	$154-155	
Heavy Fuel Oil	$68-70	-2
Naphtha	$153-155	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$374.75	+1.50
Silver (per troy oz)♣	518c	+3
Platinum (per troy oz)	$497.85	-3.90
Palladium (per troy oz)	$120.70	-1.80
Aluminium (free market)	$1595	+15
Copper (US Producer)	124.00c	-0.75
Lead (US Producer)	45c	
Nickel (free market)	390c	
Tin (Kuala Lumpur market)	17.05r	-0.01
Tin (New York)	300c	-1
Zinc (US Prime Western)	87c	
Cattle (live weight)†	104.43p	-5.02*
Sheep (dead weight)†	238.38p	+24.9*
Pigs (live weight)†	106.17p	+9.04*
London daily sugar (raw)	$353.4z	+11.0
London daily sugar (white)	$447.5z	
Tate and Lyle export price	£323.5	+7.5
Barley (English feed)	£112u	
Maize (US No. 3 yellow)	£143w	
Wheat (US Dark Northern)	£124	
Rubber (Jun)♥	55.50p	
Rubber (Jul)♥	56.00p	
Rubber (KL RSS No 1 Jun)	231m	
Coconut oil (Philippines)§	$350z	-10
Palm Oil (Malaysian)§	$275w	
Copra (Philippines)§	$230	-5
Soyabeans (US)	£161v	-2
Cotton "A" index	87.95c	+1.25
Woolttops (64s Super)	538p	-2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul. t-May/Jun. u-Aug v-May/Aug. w-Jun z-Jun/Jul y-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	326.60	320.60	329.00 324.00
Oct	326.60	318.60	327.00 322.00
Dec	326.00	323.00	318.00
Mar	308.60	303.00	310.80 306.00
May	308.00	304.00	307.60
Aug	308.00	302.00	307.40 306.60
Oct	305.00		303.00
White	**Close**	**Previous**	**High/Low**
Aug	439.0	437.0	440.5 436.5
Oct	403.0	400.5	403.5 400.5
Dec	391.5	386.0	392.5 391.0
Mar	386.0	383.0	386.5 384.0
May	384.0		385.0

Turnover: Raw3681 (4716)lots of 50 tonnes. White 675 (712)
Paris- White (FFr per tonne): Aug 2465, Oct 2255, Dec 2197, Mar 2175, May 2170

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Jul	17.20	17.48	17.42 17.17
Aug	17.44	17.70	17.64 17.43
Sep	17.80	17.85	17.82 17.70
Oct	17.85		17.90 17.80
IPE index	17.54	17.86	

Turnover: 11207 (6139)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Jun	151.75	152.75	153.00 151.75
Jul	152.00	153.25	153.00 152.00
Aug	153.50	155.50	154.75 153.50
Sep	156.50	157.50	157.00 156.50
Oct	158.50	159.50	159.25 158.25
Nov	160.50	161.50	161.50 160.00
Dec	161.25	163.00	162.50 161.25
Jan	161.00	162.75	162.00 161.00
Feb	161.00		161.00

Turnover 5618 (3699)lots of 100 tonnes

JUTE
June/July c and f Dundee BTC $560, BWC $580, BTD $535, BWD $550; c and f Antwerp BTC $550, BWC $550, BTD $520, BWD $510.

COTTON
Liverpool-Spot and shipment sales for the week ended May 18 amounted to 391 tonnes against 431 tonnes in the previous week. Trading was of a fairly high quantity with various countries involved in sales including Israeli, West African and Mexican.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
May	926	924	925 911
Jul	936	937	940 920
Sep	959	953	959 939
Dec	979	970	980 957
Mar	999	989	995 974
May	1018	1005	1020 994
Jul	1036	1019	1015 1006

Turnover: 6160 (6698) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 21 1147.98 (1164.76) 10 day average for May 22 1083.75 (1072.13)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
May	637	635	638 627
Jul	655	656	657 647
Sep	667	666	668 660
Nov	680	677	680 672
Jan	688	690	691 687
Mar	702	704	704 702
May	719		716 716

turnover: 3152 (2899) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 21: Comp. daily 74.75 (73.83). 15 day average 72.78 (72.69)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Nov	127.0	138.0	130.0 125.0
Apr	195.0	198.5	195.0 192.0

Turnover 339 (290) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Aug	119.50		119.50
Oct	121.00	122.00	122.00 121.00

Turnover 221 (40) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
May	1320	1323	1320
Jun	1208	1241	1235 1205
Jul	1120	1144	1125
Oct	1220	1244	1229 1220
Jan	1261	1270	1261 1260
Apr	1270	1275	1270
BFI	1316	1315	

Turnover 79 (254)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
May	121.80		121.90 121.50
Jun	121.50	122.60	122.60 121.50
Sep	113.00	113.90	113.75 112.95
Nov	116.75	117.50	117.50 116.75
Jan	120.25	120.70	120.25
Mar	123.35		123.30 123.25
May	126.30	126.75	126.40 126.15
Barley	**Close**	**Previous**	**High/Low**
May	104.75		104.50
Sep	110.75	111.15	111.10 110.75
Nov	114.80	115.20	115.30 114.75
May	122.90		122.90

Turnover: Wheat 105 (149), Barley 128 (27).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	130.5	131.0	130.0
Aug	121.8	121.5	121.0
Oct	123.0	123.0	122.5

Turnover 105 (56) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 29,100 tonne
Cash	1563-5	1519-21	1535	1534-5		
3 months	1586-7	1546-7	1587/1559	1560-1	1585-7	45,662 lots
Copper, Grade A (£ per tonne)						Ring turnover 60,100 tonne
Cash	1606-8	1558-60	1603/1600	1603-4		
3 months	1513-4	1486-7	1515/1504	1508-9	1509-10	79,452 lots
Lead (£ per tonne)						Ring turnover 9,175 tonne
Cash	489-91	483-4		495-6		
3 months	487-8	462-3	486/484	494-5	486-7	9,673 lots
Nickel ($ per tonne)						Ring turnover 1,176 tonne
Cash	8450-75	8320-70	8380/8375	8375-80		
3 months	8450-70	8350-70	8450/8375	8440-50	8410-5	8,167 lots
Tin ($ per tonne)						Ring turnover 725 tonne
Cash	6400-15	6415-20	6400	6390-400		
3 months	6520-5	6530-40	6550/6500	6500-10	6535-40	6,033 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 14,200 tonne
Cash	1750-5	1692-7	1770/1769	1768-70		
3 months	1686-90	1662-4	1703/1680	1700-2	1690-2	18,723 lots

LME Closing £/$ rate:
SPOT: 1.6905 3 months: 1.6638 6 months: 1.6406 9 months: 1.6207

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	374½-375	221½-222
Opening	372¼-372¾	220¼-220¾
Morning fix	372.40	220.366
Afternoon fix	375.10	221.913
Day's high	375¾-376¼	
Day's low	372¼-372¾	
Coins	**$ price**	**£ equivalent**
Mapleleaf	384-389	227-230
Britannia	384-389	227-230
US Eagle	384-389	227-230
Angel	384-389	227-230
Krugerrand	373-376	220½-222½
New Sov.	88-90	52-53½
Old Sov.	88-90	52-53½
Noble Plat	503.90-511.50	298.10-302.65
Silver fix	**p/fine oz**	**US cts equiv**
Spot	303.35	512.50
3 months	314.70	523.30
6 months	326.15	534.50
12 months	347.60	557.20

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sep	July	Sep
1500	91	112	10	24
1600	30	55	48	65
1700	6	23	122	129
Copper (Grade A)	**Calls**		**Puts**	
2450	179	142	34	98
2550	115	96	69	150
2650	69	62	121	213
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
600	58	82	3	16
650	23	51	18	35
700	7	30	52	64
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
900	57	94	20	35
950	30	66	43	57
1000	15	47	78	88
Brent Crude	**Jul**	**Aug**	**Jul**	**Aug**
1750	40	58	40	42
1800	9	32		
1850	5	8		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	375.8	373.3	375.0	375.0
Jun	376.4	374.1	377.5	373.5
Jul	378.6	376.5	379.5	379.5
Aug	381.1	379.1	382.5	378.5
Oct	386.0	384.1	387.5	385.5
Dec	390.8	388.9	392.0	388.5
Feb	395.8	393.8	395.5	394.5
Apr	400.6	398.6	401.8	399.5
Jun	405.8	403.8	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	504.9	501.1	508.5	498.5
Oct	511.0	507.4	514.0	506.0
Jan	516.9	513.6	519.0	512.6
Apr	522.8	519.6	523.0	523.0
Jul	528.7	525.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	528.2	513.1	527.0	514.0
Jun	529.5	514.5	519.5	516.0
Jul	533.5	518.5	534.5	516.5
Sep	542.0	527.0	544.0	525.0
Dec	553.8	538.7	558.0	537.5
Jan	557.7	542.6	546.0	549.0
Mar	565.4	550.2	562.5	550.5
May	573.7	558.4	0	0
Jul	582.1	566.7	0	0
Sep	590.9	575.4	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

May 22	May 21	mnth ago	yr ago
1921.6	1905.8	1927.6	2010.9

DOW JONES (Base: Dec. 31 1974 = 100)

	May 21	May 18	mnth ago	yr ago
Spot	135.65	136.01	135.60	134.20
Futures	134.08	133.98	133.94	132.97

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	121.75	119.90	122.00	120.50
Jun	118.50	117.45	118.90	117.90
Jul	116.15	113.45	116.85	113.90
Aug	111.50	109.60	112.20	111.30
Sep	110.25	108.30	111.00	108.80
Oct	108.90	107.10	109.50	108.50
Nov	107.45	105.75	0	0
Dec	106.15	104.50	106.50	105.50
Jan	105.05	103.50	0	0
Mar	102.95	101.60	103.30	102.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	18.00	18.26	18.32	17.98
Jul	18.98	19.04	19.13	18.85
Aug	19.45	19.43	19.65	19.30
Sep	19.75	19.69	19.83	19.60
Oct	19.96	19.90	20.08	19.84
Nov	20.07	19.96	20.10	19.96
Dec	20.08	20.00	20.15	19.98
Jan	20.13	19.98	20.13	20.04
Feb	20.07	19.96	20.10	19.98
Mar	20.18	19.94	20.13	20.05

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	5150	5144	5185	5115
Jul	5120	5109	5160	5077
Aug	5205	5205	5245	5170
Sep	5360	5362	5385	5335
Nov	5550	5555	5555	5540
Dec	5640	5645	5650	5625
Jan	5575	5675	5680	5670
Feb	5605	5610	5625	5595

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1491	1446	1502	1428
Sep	1509	1470	1513	1451
Dec	1526	1487	1528	1465
Mar	1544	1504	1543	1491
May	1560	1520	0	0
Jul	1571	1531	1520	1520

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	97.25	96.77	97.30	96.50
Sep	99.11	98.73	99.15	97.60
Dec	101.75	101.40	101.75	100.40
Mar	104.00	103.50	104.00	103.25
Jul	107.63	106.75	0	0
Sep	107.60	106.63	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	14.56	14.52	14.66	14.42
Oct	14.54	14.51	14.62	14.41
Mar	14.01	13.99	14.05	13.90
May	13.92	13.91	13.94	13.87
Jul	13.75	13.75	13.75	13.68
Oct	13.60	13.60	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	79.77	78.13	79.94	77.80
Oct	72.27	72.28	72.65	72.05
Dec	68.95	69.10	69.10	68.65
Mar	69.70	69.85	69.80	69.65
May	70.00	70.09	70.15	69.90
Jul	69.97	70.16	70.50	70.10
Oct	68.50	63.13	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	194.55	192.95	196.00	193.25
Sep	180.65	188.70	191.50	190.00
Nov	184.45	182.95	184.00	182.95
Jan	179.45	178.00	179.50	179.00
Mar	180.00	178.05	180.00	180.00
May	179.00	177.80	0	0
Jul	179.00	177.80	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	653/2	655/0	661/0	653/0
Jul	609/0	610/4	617/0	608/4
Aug	614/6	616/4	623/0	614/4
Sep	617/2	618/2	625/0	617/0
Nov	624/4	625/4	633/0	624/0
Jan	635/4	636/2	643/0	635/0
Mar	646/2	646/0	653/0	646/0
Jul	659/4	658/0	664/0	659/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	21.85	21.90	21.86	21.86
Jul	23.36	23.64	23.79	23.35
Aug	23.22	23.42	23.62	23.21
Sep	23.01	23.19	23.35	23.01
Oct	22.73	22.83	23.05	22.72
Dec	22.37	22.51	22.82	22.35
Jan	22.20	22.30	22.55	22.18
Mar	22.02	22.10	22.35	22.00

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	195.0	193.6	195.0	194.0
Jul	179.2	178.4	180.5	177.9
Aug	180.7	179.9	182.2	179.5
Sep	182.8	181.7	184.2	181.5
Oct	184.0	183.0	185.8	183.0
Dec	188.1	186.8	189.3	186.8
Jan	190.0	188.7	190.0	186.0
Mar	193.5	191.7	193.5	191.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	275/2	273/4	279/0	274/6
Jul	274/6	277/0	278/2	274/2
Sep	269/2	270/6	272/6	268/4
Dec	268/2	266/2	269/2	266/0
Mar	272/0	270/6	275/0	270/6
Jul	278/6	275/2	281/0	278/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	348/0	350/4	355/0	346/0
Jul	334/6	337/0	339/4	334/2
Sep	339/6	341/0	343/4	338/4
Dec	351/2	354/2	358/4	351/0
Mar	358/4	360/0	361/2	358/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	74.37	74.82	74.70	74.12
Aug	73.77	74.07	73.85	73.40
Oct	75.82	75.97	75.85	75.42
Dec	75.90	76.07	75.97	75.57
Feb	75.87	75.82	75.70	73.32
Apr	76.30	76.45	76.50	76.15
Jun	73.60	73.85	74.00	73.55

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	66.92	67.00	67.07	66.32
Jul	64.62	64.97	65.10	64.52
Aug	62.57	62.82	62.80	62.15
Oct	54.70	55.05	55.00	54.37
Dec	54.62	54.95	54.90	54.50
Feb	52.25	52.60	52.60	52.10
Apr	48.40	48.70	48.70	48.20
Jun	51.40	51.50	51.60	51.40

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	69.40	66.25	69.40	67.55
Jul	69.15	68.00	69.25	67.35
Aug	66.90	65.70	67.00	65.10
Feb	60.32	60.02	60.55	59.95
Mar	59.60	59.25	59.70	0
May	60.15	60.40	60.50	59.25

LONDON STOCK EXCHANGE

Footsie ends the day above 2,300

THE UK stock market yesterday staged a modified re-run of some of last week's more dramatic trading performances, gaining 30 FT-SE points to close comfortably above the 2,300 level, and taking the market back to levels not held since mid-February. There was another struggle among leading marketmakers to close bear positions, but the institutions, fearful of being left behind, were also drawn into the market.

Wall Street's new peak overnight set the stage for a strong opening in London. Once again the Footsie futures led the way, with an early premium of 40 points alerting marketmakers who hastened to buy the underlying Footsie stocks and close any remaining bear positions. While many positions were closed out in hectic trading on Thursday and Friday, at least two leading marketmakers are believed to be still exposed.

Account Dealing Dates		
*First Dealings:		
May 14	May 29	Jun 11
Option Declarations:		
May 24	Jun 7	Jun 21
Last Dealings:		
May 25	Jun 8	Jun 22
Account Day:		
Jun 4	Jun 18	Jul 2

*New time dealings may take place from 9.00 am two business days earlier

Equities closed last night poised for the announcement today of the UK April trade figures. Traders were not unduly apprehensive, however, commenting that some significant improvement over the surprise February deficit of £2.2bn is virtually certain.

The market opened above FT-SE 2,300, was checked by profit-taking, but then renewed its advance to show a gain of 50 points on the Index by mid-session. Share prices then slackened off and Wall Street's difficulty in holding on to an early advance in its session left London to close well off its best.

The final reading showed the FT-SE Index at 2,311.3, a rise of 29.2 on the day. At County NatWest, Mr John Reynolds commented that the market, which touched 2,332.7 at yesterday's peak, could face its next testing around 2,350, when the return on equities would again be challenged by the return on cash.

Seaq volume jumped to 629.7m shares from Monday's 316.2m, but traders were agreed that yesterday's figure took in a significant proportion of inter-market deals. Detailed data from the International Stock Exchange confirmed the presence of the institutions last week; customer business jumped to £1.19bn on Thursday and £1.16bn on Friday, the first move for many weeks above the £1bn daily figure.

There are still some doubts over equity volumes, however, and market specialists will want to see £1bn plus customer totals sustained if the latest market upswing is to be convincing. But strategists again stressed the shift towards optimism for an early British entry to full membership of the EMS, reflected yesterday in further gains in UK Gilts.

The gain in the Footsie of 10 per cent this month has also been spurred by speculation ahead of disclosure after May 31 of equity stakes above 3 per cent which could affect a number of leading UK companies.

GEC gets left behind

DEFENCE electronics and heavy electricals group GEC was one of only a handful of Footsie stocks to lose ground yesterday, with the shares retreating in the face of some hefty selling to close a net 3½ off at 208½p; turnover reached 17m, around five times the usual level for the stock.

The shares were hit mainly for three reasons: firstly, by reports that Malaysia had cancelled plans to buy 12 Tornado jet fighters – highlighting the vulnerability of defence contracts; secondly, by the knock-on effect of a series of profits downgradings of the West German group Siemens by numerous European investment analysts; thirdly, County NatWest issued a bearish note, labelling GEC "long-term negative – sell on a twelve months view."

County's Patrick Wellington highlighted numerous bearish developments, including the "parlous outlook in defence markets." He spoke of a "7 per cent real decline in UK defence markets, and the possibilities of a UK defence review and the cancellation of the Eurofighter project. The County analyst also mentioned Siemens' "depressing remarks" on GPT, the 40/60 Siemens/GEC joint venture in telecommunications. He said that most UK analysts had taken too optimistic a view on the potential for GEC-Alsthom in the power generation market. Finally, County said the period of fast dividend growth was "coming to an end, with GEC having to couple dividend growth with earnings growth in the foreseeable future."

Other analysts, however, remained bullish of GEC. Mr Stephen Parker at UBS Phillips & Drew said he believed a contract for GEC to supply a ground defence system worth £500m to Malaysia as being "still very much in place and extremely valuable to GEC – use the current weakness to buy GEC."

BA warning

Full year figures from British Airways produced an unequivocal thumbs down from the market but divided analysts. The company showed a 29 per cent improvement in profits to £345m, but the chairman said that "the competitive position in many of the company's markets will restrict scope for yield growth." The shares sharply underperformed the market, sliding 5 at one point before closing at 210p to show a loss of 3 on the day. Turnover was a busy 11m shares.

Taking a positive view, Mr Ian Wild at BZW reiterated his buy recommendation, saying that the way the company presented its information made it easier to take a bearish than a bullish line. Comparisons with other airlines showed BA in a particularly good light, and he raised his forecast for the current year by £20m to £410m, to include £100m of aircraft sales.

The company's broker, UBS Phillips & Drew, was more cautious. Mr Richard Hannah said that while long-term prospects were good, the company would have short-term cost pressures arising, for example, from a more than 13 per cent rise in wages costs as a result of a 9½ per cent pay award and increases in staffing. He lifted his profits forecast by £20m, to £390m, but said that this included an unexpected £30m saving in depreciation costs, so that, in effect, he was subtracting £10m from profits. His estimate of the value of aircraft sales was £90m.

More pessimistic still was Mr Tim Coombs at County NatWest WoodMac. He said that the market's reaction was "entirely justified" – the depreciation change meant the final figures were below expectations and he took £70m off his profit forecast to leave it at £360m, including £80m in aircraft sales.

Castrol highlight

Burmah Oil caught the eye in a firm oil and gas sector, with the stock advancing 23 to 617p, after a day's high of 620p, albeit in relatively light turnover of only 328,000 shares. The stock was helped along by an internal note by the Hoare Govett oil team, which highlighted the quality of Burmah's Castrol lubricants business.

Hoare calculated Burmah's net asset value at 860p a share and said a 30 per cent discount in the share price to its net asset valuation was too much for a company that could attract takeover activity.

SHV, the privately-owned Dutch group, has a 9.14 per cent stake in Burmah, and many analysts think the Dutch concern could be trying to trigger a merger between Burmah and Calor, the bottled gas group in which SHV has a 44.2 per cent stake. Calor shares rose 8 to 274p on turnover of 414,000 shares.

British Aerospace was one of the few stocks to show an early fall against the market trend. The damage was done by reports of the cancellation by Malaysia of the Tornado deal. A statement from the company that negotiations were still in progress provided a measure of reassurance for the market, and the shares rebounded from their low of 515p to peak at 528p before closing at 525p, a net improvement of 3.

Sentiment in BAe was also hurt by the French Government's acceptance that state-owned car maker Renault should repay some state aid, as ordered by the European Commission. The market fears that this would increase the likelihood that BAe will be forced to repay "sweeteners" it received from the UK Government when it bought Rover.

A party of mining sector analysts visited RTZ's Nevada operations just as the company concluded a pay deal with employees there, according to traders. RTZ shares rose 11 to 559p on good volume for the stock of 3.2m.

News that Tace was in talks that might lead to a management buyout came just a day after the company announced that a large family-held stake was up for sale. The shares jumped to 190p, before easing to 182p, up 21 on balance.

Water stocks came in for good support throughout a session highlighted by increased turnover in the sector. North West Water, where Compagnie Generale des Eaux confirmed yesterday that it had a 2.3 per cent holding, put on 4 to 161p on turnover of 2.2m shares. Thames, which along with North West are the only water stocks in the Footsie index, rose 3½ to 146½p on 3.4m.

There were big trading volumes in the oil and gas sector. More switching out of British Gas and into BP led to over 15m Gas shares changing hands with the stock price moving up 5 to 218½p. Gas is scheduled to report preliminary figures a week tomorrow.

Fisons put in a good performance in the wake of an upbeat statement from the chairman at the company's annual meeting. He said that the company had "seen no evidence of the economic situation affecting our business. We have set ourselvessome relatively demanding, and indeed ambitious, growth targets for 1990, and . . . in the first four months of the year we are in all cases achieving, and in a number of instances comfortably exceeding, these demanding goals." The shares rose 11 to 361p on good turnover for the stock of 4.7m shares.

Heavy selling of Hanson in the US was only just met by buying demand in the UK. Some 12m shares changed hands in London as the stock struggled to make headway. It eventually closed unchanged at 233½p.

Standard Chartered lagged behind the rest of a banks sectorthat endured the same stock shortage problems as the rest of the market. Standard shares could only manage a rise of 2 at 470p on keen turnover of 1.3m, with dealers concerned about the group's Australian banking businesses.

A Salomon Brothers buy recommendation was behind good turnover – 1.6m shares – in Legal & General, which moved up 12 to 399p. Prudential mirrored the buoyant mood of the market, closing 6 firmer at 220p on very good turnover of 5.4m shares. Blue Circle maintained their recent strong performance, closing a further 10 higher at 245p amid persistent whispers that a bid could be in the offing. The stock has risen by a fifth over the past week as speculators picked up the scent of a possible stakebuilder. Turnvoer in Blue Circle yesterday reached 6.4m, the highest for some time. Hanson is believed to have been behind an unsuccessful market raid on the stock two years ago which netted less than one per cent of Blue Circle stock. The holding was thought to have been sold into the market some time ago.

Tarmac added 3 at 249p after a broker's buy recommendation. There were some big individual trades in Beazer, including some of 1.5m shares. At the close, they were 5 up at 139p.

BICC advanced 14 to 430p after UBS Phillips & Drew, although reducing their profits forecasts for this year and next, came out with a buy note on the stock. UBS lowered their current year forecast from £235m to £215m and that for next year from £280m to £240m. The broker said all the bad newson BICC "is now in the price; the next move is likely to be positive, fundamentals are attractive and we have put a valuation of up to 700p on a break-up bid." UBS added: "In a global industry undergoing major restructuring, BICC is emerging as a highly efficient, if small, player."

STC underperformed, closing unaltered at 259p on 1.3m, unsettled by stories that the Dutch Phillips group was about to take a 51 per cent stake in Olivetti. If this was the case, specialists said, then Olivetti would be most unlikely to get involved in a deal with STC over its ICL computer business. Rumours that an international group – with Olivetti said to be among the favourites – were about to take a big stake in ICL have been in the market for many months.

Manpower, formerly Blue Arrow, held firm until late in the session, when a big seller in New York left the shares a net penny down at 75½p.

Polly Peck, the fresh fruit and electronics group, swung within a wide range as a two-way pull developed after it announced the restructuring of its electronics interests.

Initially, Polly Peck was up 7 at 440p, but then dropped to 423p as profit-taking set in before settling at 430p, off 2 on the day. Turnover reached 7.3m shares.

Dealers said the restructuring move had been widely anticipated and already reflected in the rise in Polly Peck's shares from under 400p. Mr Philip Dorgan of Goldman Sachs raised his forecast for the current year to £227m from £222m, and for next year to £268m from £253m, but said higher minority payments would restrain earnings growth.

Breweries continued from strength to strength. On Monday, the sector hit its second all-time high against the rest of the market in five trading days. Bass led the leaders higher with an improvement of 25 to 1049p, having briefly touched 1058p.

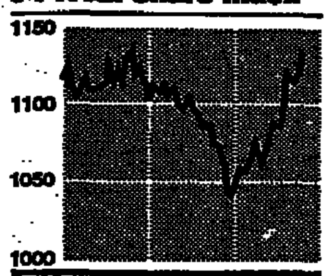
As well as the prospect of the company's interim figures today (leading houses are going for around £275m, to include £40m property profits), investors were intrigued by what might be said at a planned presentation to City analysts on June 6. The subject of the presentation is Holiday Inns, acquired last year by Bass.

Turnover in Rolls-Royce swelled to 20m shares yesterday as trading commenced in its American Depositary Receipts. Analysts said dealing in Rolls-Royce had been boosted by overseas buying. Mr Alasdair Stewart of Nikko Securities said the effort that Rolls-Royce had put into marketing itself to foreign investors had begun to pay off. This was confirmed, Mr Stewart said, by the announcement that foreign shareholdings had risen to a total of 18.2 per cent of the equity, an increase of 3 percentage points over the past month. Rolls-Royce closed 6 higher at 220p.

Vickers advanced 7 to 224p following a lunch at Kitcat &Aitken. Mr Clive Forestier-Walker of Kitcat said: "In a period of uncertainty for engineering companies, Vickers continues to enjoy a healthy trading outlook."

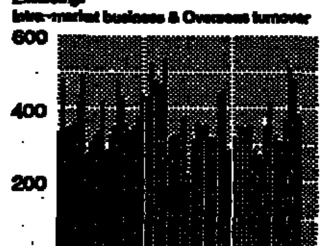
■ Other Market statistics, including the FT-Actuaries share index, Page 32

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (96).
BRITISH FUNDS (13) AMERICANS (8) BREWERS (3) BUILDINGS (8) CHEMICALS (8) STORES (3) ELECTRICALS (8) ENGINEERING (9) FOODS (8) INDUSTRIALS (19) Apollo Metals, Astra AB, Baird (Wm.), Bisec Inds., Bowater, Christies Int., Courtaulds, Diploma, Dockus, Dolphin Pack., Fisons, Glaxo, Hunting Tech., Ipeco, Jardine Hldgs., Kelsey Inds., Proudfoot, Schlumberger, Williams Hldgs., LEISURE (1) NEWSPAPERS (1) PAPERS (2) TEXTILES (1) TOBACCOS (1) TRANSPORT (1) TRUSTS (13) PLANTATIONS (1).

NEW LOWS (66).
AMERICANS (2) CANADIANS (1) BANKS (2) BREWERS (1) BUILDINGS (2) CHEMICALS (1) STORES (3) ELECTRICALS (5) ENGINEERING (2) FOODS (4) INDUSTRIALS (13) Assoc. Brit. Consultants, Electrolux, Fitzwilton, Handley-Walker, Hay (Norman), Hunting, Do. 8¼pc Pf., Lawtex, NMC 7.75pc Accm. Rd. Pf., Porth Grp., Sinclair (Wm.), Swallowfield, Tams (John), INSURANCE (2) LEISURE (3) MOTORS (1) NEWSPAPERS (2) PAPERS (2) PROPERTY (3) TRANSPORT (1) TRUSTS (8) MINES (9) THIRD MARKET (4).

FINANCIAL TIMES STOCK INDICES

	May 22	May 21	May 18	May 17	May 16	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	79.23	79.23	78.74	78.49	78.91	86.12	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	87.42	87.45	87.27	86.93	86.13	97.33	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1829.5	1810.8	1793.3	1795.7	1739.8	1787.4	1968.3 (3/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	211.6	212.6	207.1	217.1	218.0	188.6	378.5 (6/2)	207.1 (18/5)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2311.3	2282.1	2289.1	2284.4	2221.1	2151.6	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.02	5.08	5.13	5.12	5.27	4.41				
Earning Yld %(full)	11.36	11.43	11.56	11.53	11.83	10.72				
P/E Ratio(Net)(☆)	10.65	10.58	10.46	10.49	10.22	11.25				
SEAQ Bargns 4.45pm	32,854	25,555	38,128	30,801	24,385	27,096				
Equity Turnover(£m)†	-	686.61	1156.67	1192.41	875.32	1463.67				
Equity Bargains†	-	26,085	36,236	30,177	23,816	36,018				
Shares Traded (ml)†	-	387.7	478.1	506.5	373.8	519.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.54

Ordinary Share Index, Hourly changes — Day's High 1846.7 — Day's Low 1814.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1824.4	1819.6	1819.9	1833.9	1834.0	1839.1	1843.7	1841.5	1834.0

FT-SE, Hourly changes — Day's High 2332.7 — Day's Low 2293.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2303.5	2294.8	2300.8	2316.2	2318.0	2324.9	2329.4	2325.8	2316.2

GILT EDGED ACTIVITY

Indices*	May 21	May 18
Gilt Edged Bargains	101.7	100.8
5-Day average	95.0	93.4

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	2,600	181	+2	Courtaulds	1,200	338	+4	MEPC	906	504	+10	Slough Ests	488	290	+6
ASDA Group	4,900	105½	−½	Dalgety	676	358	+1	Manpower	1,900	75½	−1	Smith (W.H.) A	692	327	+8
Abbey National	2,400	196	+1	Dixons	4,300	131	+7	Marks & Spencer	8,800	220½	+3½	Smith & Nephew	4,000	109	−1
Allied-Lyons	1,900	474		ECC Group	203	377	+9	Maxwell Comm.	676	193	+2	SmKl Beecham	2,700	549	+8
Amstrad	3,400	72	+2	Enterprise Oil	520	626	+9	Mecca Leisure	4,600	75	−1	SmKl Beecham Units	48	2540	+57
Anglian Water	1,400	169	+3	FKI	1,300	70	+1	Midland Bank	1,200	298		Smiths Inds.	4,300	265	+11
Argos	7,700	211	+2	Ferranti	3,800	38		NatWest Bank	3,300	348	+9	South West Water	881	169	+2
Argyll Group	1,900	227	+1	Fisons	4,700	371	+11	Next	2,600	72	+5	Southern Water	1,400	139	+7
Ass. Brit. Foods	670	386	+6	Gen. Accident	300	1072	+21	North West Water	2,200	161	+4	Standard Chartd.	1,300	470	+2
BAA	1,000	405	+4	General Elect.	17,800	208½	−3½	Northern Foods	845	297	+5	Storehouse	2,800	110	−1
BAT Inds.	3,100	692		Glaxo	4,500	826	+14	Northumbrian Water	585	178	+3	Sun Alliance	1,700	327	+3
BET	2,400	335	+4	Globe Inv.	447	196		Pearson	504	709	+11	Sun Life	17	1210	+2
BICC	3,300	430	+14	Glynwed Int.	308	256	+4	P & O	2,100	618	+16	T&N	676	175	+7
BOC	2,100	551	−1	Granada	826	249	+1	Pilkington	1,800	204	+7	TI Group	577	467	+13
BPB Inds.	2,000	227	+1	Grand Met.	4,000	607	+19	Polly Peck Intl.	7,300	431	−2	TSB	4,700	138	+2
BTR	3,600	429		GUS A	335	981	+6	Prudential	5,400	220	+6	Tarmac	10,000	249	+3
Barclays	3,400	559	+9	GRE	1,200	284	+2	RHM	1,400	396	+3	Tate & Lyle	697	291	+2
Bass	1,000	1049	+25	GKN	6,000	377	+7	RMC	1,000	674	+13	Taylor Woodrow	1,700	273	−2
Beazer	6,100	139	+5	Guinness	4,100	708	+10	RTZ	3,200	559	+11	Tesco	3,700	220	+2
Berisford Int.	1,100	194		Hammerson 'A'	79	709	−5	Racal	6,300	218	+4	Thames Water	3,400	146½	+3½
Blue Circle	6,400	245	+10	Hanson	12,000	233½		Racal Telecom	624	378	+8	THORN EMI	1,000	722	
Boots	2,400	282	−1	Hanson Warrants	307	57	+1	Rank Org.	1,300	804	+18	Trafalgar House	1,100	311	+4
Brit. Aerospace	1,800	525	+3	Harrisons Crosfield	1,000	181	+5	Reckitt & Colman	473	1243	+25	Trusthouse Forte	3,300	289	
British Airways	11,000	210	−3	Hawker Sidd.	576	667	+14	Redland	550	585	+6	Ultramar	1,300	336	+6
British Gas	16,000	218½	+5	Hillsdown	3,100	255		Reed Intl.	1,200	433	+5	Unigate	1,000	307	+9
British Land	366	332	+3	IMI	737	232	+6	Reuters	1,600	1136	+12	Unilever	1,300	675	+2
BP	18,000	325	+5½	ICI	2,800	1183	+20	Rolls Royce	20,000	220	+6	United Biscuits	2,100	346	+5
British Steel	5,800	146½	+1½	Inchcape	778	270	+10	Rothmans	758	687	+13	Utd. Newspapers	648	325	
British Telecom	9,100	279	+3½	Kingfisher	1,400	308	+2	Ryl Bk Scotland	800	176	+1	Water Package Uts.	4	£1580	+35
Bunzl	335	99		Ladbroke	2,100	314	+2	Royal Insurance	1,600	485	+7	Wellcome	1,100	690	+2
Burmah Oil	328	617	+23	Land Securities	2,300	495	+11	STC	1,300	259		Welsh Water	789	178	+2
Burton	868	176	+1	Laporte	438	546	+14	Saatchi	1,300	99		Wessex Water	134	156	+1
Cable & Wire.	3,600	533	+5	Legal & General	1,600	399	+12	Sainsbury	1,600	282	+7	Whitbread 'A'	1,600	419	+7
Cadburys	2,100	335	−2	Lloyds Abbey	1,700	318	+6	Scottish & New.	2,300	325	+5	Williams Hldgs.	4,100	284	
Calor Group	414	274	+8	Lloyds Bank	1,800	277	+7	Sears	4,600	85	−1	Willis Faber	849	282	+4
Carlton Comms.	1,600	519	+4	LASMO	1,800	405	+7	Sedgwick	288	254	+3	Wimpey	1,000	236	+3
Coats Viyella	3,300	121	+4	Lonrho	3,100	243	+5	Severn Trent Water	1,800	143	+3	Yorkshire Water	239	171	−1
Comm. Union	2,100	464	+6	Lucas	219	622	+6	Shell Transport	3,200	487	+9				
Cookson	3,700	200		MB Group	2,600	216	+6	Siebe	410	475	+7				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas 8¾pc 1987-90‡‡	[illegible]		8.29	[illegible]
[illegible]	[illegible]	Treas. 3pc Cv 1990‡‡	[illegible]		8.09	[illegible]
[illegible]	[illegible]	Treas. 10pcCv 1990	[illegible]		10.19	[illegible]
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]		2.60	[illegible]
[illegible]	[illegible]	Treas 11½pc 1991	[illegible]	[illegible]	11.93	[illegible]
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]		6.04	[illegible]
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	[illegible]	3.20	[illegible]
[illegible]	[illegible]	Treas 10pc Cv '91‡‡	[illegible]	[illegible]	10.35	[illegible]
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]		11.35	[illegible]
[illegible]	[illegible]	Treas. 8pc 1992	[illegible]	[illegible]	8.60	[illegible]
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	12.82	[illegible]
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	10.49	[illegible]
[illegible]	[illegible]	Treas. 8pc 1992‡‡	[illegible]	[illegible]	8.69	[illegible]
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]		10.93	[illegible]
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	3.47	[illegible]
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	12.39	[illegible]
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	13.31	[illegible]
[illegible]	[illegible]	Treas 8¾pc 1993	[illegible]	[illegible]	9.14	[illegible]
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]		10.60	[illegible]
[illegible]	[illegible]	Treas 12¼pc 1993‡‡	[illegible]	[illegible]	12.49	[illegible]
[illegible]	[illegible]	Funding 6pc 1993‡‡	[illegible]		7.05	[illegible]
[illegible]	[illegible]	Treas 13¾pc 1993‡‡	[illegible]		13.25	[illegible]
[illegible]	[illegible]	Treas. 8½pc 1994‡‡	[illegible]	[illegible]	9.58	[illegible]
[illegible]	[illegible]	Treas 14½pc 1994‡‡	[illegible]		13.58	[illegible]
[illegible]	[illegible]	Exch 13½pc 1994	[illegible]		13.04	[illegible]
[illegible]	[illegible]	Treas. 10pc Ln. 1994‡‡	[illegible]	[illegible]	10.70	[illegible]
[illegible]	[illegible]	Exch. 12½pc 1994	[illegible]	[illegible]	12.41	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

1990 High	1990 Low	Stock	Price £	+ or −	Yield (1)	Yield (2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, ie 8 months prior to issue. RPI for September 1990: 116.6 and for April 1990: 125.1.

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or −	Div. %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
21¾	14¼	Chase Manhattan $12½	15⅝	+⅛	$2.36	–	9.1
19¼	14	Chem. Banking Corpn	15⅞		$2.72	–	10.3
12½	9¼	Chrysler $6¼	9⅝	+⅛	$1.20	–	7.5
18¾	[illegible]	Citicorp $1	[illegible]		$1.78	–	7.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

APPOINTMENTS

Changes at Guinness group

■ GUINNESS has appointed Mr Tom Corran as head of corporate development. He joins the company on July 1 and succeeds Mr Michael Kayser, who is taking up a new post as finance and commercial director – Guinness Brewing International. Mr Corran has been a drinks analyst with James Capel stockbrokers since 1986. Latterly, as senior analyst, he had management responsibility for research liaison with Capel's international operations.

■ FIRST CITY BANCORPORATION OF TEXAS has appointed Mr Wolfgang R. Jaschob as senior vice president and general manager of its London branch.

■ At GOODING GROUP Mr Malcolm Sanders has become group manufacturing and projects director. He was formerly managing director of Rase Electronics, another part of the Gooding Group. His successor is Mr Brian Joscelyne, who was formerly a vice president of Mitel Telecom.

■ DAVENPORT ENGINEERING, the cooling tower design and construction specialists, has appointed Mr Robert Balcam as finance director and company secretary. He is also company secretary of the holding company Davenport Holdings.

■ Mr Richard Dunn *(pictured)*, managing director of Thames Television, has been appointed deputy chairman of THE INDEPENDENT TELEVISION NEWS, under Sir David Nicholas who is chairman and chief executive.

■ Mr Brian Wright has been made managing director of both BRITANNIA FRAMES and TRIDENT CONSERVATORIES. He joins from Hoover Universal UK, a wholly-owned subsidiary of Johnson Controls Inc., where he was general manager.

■ SEA CONTAINERS is making the following appointments: Mr Maurice Storey, a director of Sealink British Ferries, becomes vice-president - ship and port operations. Mr Michael Aiken, also a director of Sealink British Ferries, is made vice president - ferries and will be managing director of Sea Containers Ferries with overall responsibility for Hoverspeed and Wightlink. Mr Kenneth Hume, general manager - ship division, will retire early in the summer.

■ FINE ART *WALLCOVERINGS*, the Cheshire-based wallcoverings manufacturer, has appointed Mr Roger Regan as a non-executive chairman. He was, until November 1988, group chief executive of A.G. Stanley Holdings.

■ DUNLOP TEXTILES, the Rochdale-based *manufacturer* of tyrecord fabrics, has appointed Mr Jim Holland as finance director. He was previously financial controller. Dunlop Textiles is a wholly-owned subsidiary of BTR.

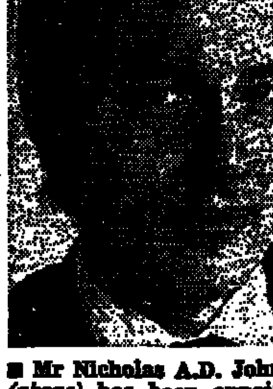
■ SWINTON INSURANCE has appointed Mr Adrian Hazeldine as finance director.

■ Dr Peter Jones has been appointed a director of RECHEM INTERNATIONAL. He joined the company as manager of Rechem Environmental Reseach (RER) in 1987. Mr Derek Blane has also joined the board. He was general manager - engineering and development.

■ Mr Arjuna Sittampalam has been appointed as managing director responsible for the fund management department of SANWA INTERNATIONAL, the investment banking arm of the Sanwa Bank.

■ Mr David Beresford Jones has become chairman of STEEL BURRILL JONES GROUP following the retirement of Mr Derek Steel. He was one of the three founder directors.

■ At THE SIGN EXPRESS GROUP Mr Julien Klein has been appointed operations director and Mr Graham Brown sales director. They both join from Apple UK.



■ Mr Nicholas A.D. Johnson *(above)* has been appointed deputy chairman of INVESCO MIM in succession to Mr Kevin Ney, who will continue as a non-executive director.

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BANKS, HP & LEASING

1990 High	1990 Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
303	209	ANZ SA1	211	+2	44c	1.4	9.4	7.5
201	172	Abbey National 10p	196	+1	5.7	4.3	3.9	7.9
*274	210	Allied Irish Ord	219	−2	Q40%	♦	4.3	♦
£13⅜	£11¼	Algemene Fl.10	£11¼	......	Q28%	2.1	7.6	6.2
85	73	Anglo Irish	75	......	†Q8.7%	2.7	5.9	10.2
81	68	Ansbacher (H.) 1p	73	......	2.5	1.3	4.6	21.0
£71⅛	£54⅛	Bancaire Cie Fr100	£68¾	−⅛	†Q12¼%	−	2.0	−
£22¼	£16⅝	Banco Bilbao Viz	£19	......	Q49.1%	2.7	4.4	12.3
£31	£24¼	Banco de Santander	£27¼	......	Q25%	2.4	4.1	10.1
286	224	Bank Ireland Ir£1	233	−1	Q14.3%	♦	6.0	♦
£19½	£18	Bank Leumi	£19½	......	−	−	−	−
360	320	Bank Leumi (U.K.)	345	......	†13.5	−	5.2	−
125	104	Bank Scotland	117	+1	4.55	3.3	5.2	7.8
100¼	83¼	Do. 9¼pc Irrd Pf	92	......	9¼%	−	13.4	−
54	39	Bank of Wales	39	......	2.8	0.8	9.6	(18.7)
599	493	Barclays £1	559	+9	27.4	3.5	6.5	5.5
22	14	Benchmark 20p	14	......	1.63	1.0	15.5	8.0
335	310	Brown Shipley £1	323	+3	†10.5	−	4.3	−
455	361	Cater Allen £1	388	+10	23.5	−	8.1	−
179	137	Chancery	137	−2	†8.0	2.8	7.8	6.0
£23¼	£19⅝	Commerzbk DM10	£19⅝	−⅜	Q18%	−	3.4	−
£13¼	842	Dai Ichi KBk Y50	937	+9	†Q16%	8.8	0.3	35.8
*£313½	£262¼	Deutsche Bk DM50	£272¼	+3	Q28%	−	1.8	−
£20¾	£19	Espirito Santo	£19½	+¼	Q75c	3.3	2.3	13.3
253	183	First Nat. Fin. 10p	221	+13	13.0	2.4	7.8	6.8
121	96	FNFC 6.3pc Cv. Pf	108	+8	6.3%	−	7.8	−
262	159	Fuji Bank Y50	185	+10	Q16%	4.2	0.3	−
325	262	Gerrard & National	304	+11	18.5	−	8.1	−

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Contd

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

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MOTORS, AIRCRAFT TRADES — Contd

1990 High	Low	Stock		Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
		Components							
458	420	Abbey Panels		453	.....	3.5	10.8	1.0	12.0
225	203	Airflow Streamlines	y	215	.....	6.0	4.2	3.7	8.6
190	145	Bostrom 5p	y	164	+5	5.75	3.1	4.8	7.3
266	191	Dowty 50p	β	220	+7	18.0	2.3	4.8	11.5
239	155	FR Group	β	159xd	+1	6.37	♦	5.3	♦
135	63	Kwik-Fit Hldgs. 10p	β	83	.....	2.4	1.7	3.9	20.9
694	568	Lucas Inds. £1	α	622	+5	†25.0	3.0	5.4	7.1
16	8½	Spice 5p	y	9	.....	‡q1.2	0.4	♦	69.0
		Garages and Distributors							
28	19	Alexanders 10p	y	25	+1	1.0	3.0	5.3	7.5
135	110	Appleyard 10p	β	112	+1	7.8	2.4	9.3	5.2
110	75	Bletchley Motor 10p	y	85xd	+2	7.5	1.9	11.8	6.1
568	505	Caffyns 50p	β	508	.....	11.5	0.4	3.0	–
121	100	Central Motor Auctns.	y	100	–1	3.25	3.0	4.3	10.1
61	26	Cook (D.C.) Hldgs.	y	36	.....	‡1.33	–	♦	–
89	33	Cowie (T.) 5p	β	49	+2	4.2	2.2	11.4	4.6
95	68	Dagenham Motors 10p	y	73	.....	5.25	2.8	9.6	5.0
98	81	Davenport Vernon 10p	y	95	+2	3.5	3.6	4.9	6.6
29	16	Equity & Gen 5p		20½	.....	†1.5	1.7	10.0	(7.1)
247	169	Evans Halshaw	β	172	+3	11.25	2.4	8.7	6.3
113	85	Gates (F.G.)	β	95	.....	2.75	♦	4.0	♦
161	106	Gowrings 10p	y	106	–2	5.63	1.3	7.1	11.9
167	118	Hartwell	β	140	.....	3.1	2.8	3.8	16.3
81	70	Jacks Wm.	y	71	.....	2.0	1.0	3.8	35.6

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

WATER

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australian

Tins

MINES—Contd

Miscellaneous

THIRD MARKET

1990 High	Low	Stock		Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
55	35	UPL Group 10p	y	39	.....	‡2.75	1.9	♦	7.4
177	128	Unit Group	y	177	.....	5.0	3.3	3.8	10.1
89	59	Video Magic Leis. 1p	y	60	.....	W2.0	0.7	4.4	48.1
5¼	3¼	Vista Ents 5p	y	3½	+¼	–	–	–	–
18	13	Vizaya Hldgs 5p	y	13	.....	–	–	–	–
43½	25	Whitegate Leisure 20p	y	25½	+½	0.25	1.7	1.3	54.6
29	9	Do. Wrrnts	y	9	.....	–	–	–	–
5½	3¼	Wilton Group 1p	y	3¼	.....	–	–	–	♦

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if *calculated on "nil" distribution*. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ¥ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or *other offer estimate. c Cents. d Dividend rate paid or payable on* part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock		Price	+ or –
Craig & Rose £1	y	830	.....
Finlay Pkg. 5p	y	53xd	.....
Holt (Jos) 25p	y	1290xd	.....
IRISH			
Cap. 8½% Ln. 1991		£96	.....
9pc Cap Ln. 1996		£94½	.....
Fin. 13% 97/02		£112	.....
Arnotts		415xd	+5
Carrol (P.J.)	y	147	.....
Hall (R. & H.)		175	.....
Helton Hldgs	y	75	.....
IRG		280	.....
United Drug		165	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5¼
BAT	83
BOC Grp.	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons.	40
Comm Union	40
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd.	55
ICI	85
Ladbroke	25
Legal & Gen.	34
Lex Service	26
Lloyds Bank	22
Lucas Inds.	52
Marks & Spencer	17
Midland Bk.	27
Nat West Bk.	29
P & O Dfd.	50
Polly Peck	37
Racal Elect.	19
RHM	35
Rank Org Ord.	68
Reed Intnl.	33
STC	28
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	68
Property	
Brit Land	32
Control Secs.	5
Land Securities	44
MEPC	44
Mountleigh	14
Oils	
Aviva Petlm.	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm.	12
Gaelic Res.	4½
Premier	18
Shell	37
Tuskar Res.	18
Ultramar	31
Mines	
Lonrho	20
RTZ	45

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1800)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	51.26	51.26	54.82	+0.53	5.00
Gilts & Fixed Int	6	106.00	106.00	112.40	+0.40	9.79
High Inc Equity	6	130.40	134.00xd	142.50	+1.40	4.46
Worldwide Bond	6	190.60	190.60xd	202.00	-0.30	6.39
Capital Growth						
American Growth	6	191.20	192.90	205.20	+2.80	1.14
Asian Pacific	6	140.70	143.80	152.90	+1.50	0.00
Assets & Earnings	6	152.50	152.50	163.10	+1.80	2.97
Capital Reserve Acc	0	92.35	92.35	92.48	+0.28	6.49
Capital Reserve Inc	0	77.62	77.62	77.73	+0.17	7.72
Comdty & Energy	6	95.40	95.40	102.00	+1.00	0.00
Dividend & Growth	6	46.23	46.24	49.19	.....	4.57
1992 Enterprise	6	61.47	62.75	66.75	+0.17	2.01
Euro Capital Acc	6	103.30	103.90	111.00	-1.10	0.86
Euro Capital Inc	6	99.66	99.66xd	106.50	-1.30	0.89
General	6	171.40	171.40	183.30	+2.00	2.73
International	6	59.61	60.34	64.19	+0.06	0.78
Japan	6	100.40	100.40	107.30	+1.50	0.00
Mastertrust	6	89.57	89.57	95.79	+0.61	1.55
UK Growth Acc	6	170.10	170.10	181.90	+1.40	1.78
UK Growth Dist	6	111.10	111.10xd	118.80	+1.00	2.73
US Emerging Cos	6	58.02	58.02	62.05	+0.81	0.00
Income & Growth	6	292.00	292.00xd	312.20	+3.30	3.28
Ethical	6	46.84	46.84	50.09	+0.58	2.00
Abtrust Management Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	32.55	32.55xd	34.75	+0.46	2.15
European	5¼	92.88	93.02	99.30	-0.42	0.00
European Income	5¼	88.69	88.69xd	94.61	-0.18	1.45
Exempt	1	752.0	752.0xd	775.6	+15.6	1.30
Exempt Income	3¼	175.3	175.3	185.8	+4.00	4.68
Exempt American	3¼	388.7	388.7xd	407.5	+6.00	1.46
Exempt Pacific	3¼	263.6	263.6	276.6	+2.90	0.00
Extra Income	5¼	42.05	42.05	44.89	+0.87	5.67
F East Emerg Econ	5¼	65.50	65.50	70.15	+1.52	0.00
Fund Inv Tst	5	126.5	130.9xd	139.7	+1.80	1.38

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Brown Shipley & Co Ltd—Contd.						
North American	6	64.32	64.32	68.50	+0.95	0.38
Orient 4	6	119.9	120.4xd	128.5	+1.50	–
Recovery	6	44.71	44.71xd	47.62	-0.06	3.80
Smaller Cos Acc	6	234.3	234.3xd	250.7	+0.50	–
Smaller Cos Inc	6	143.5	143.5xd	153.5	+0.30	1.28
Brycourt Unit Tst Mgmt Ltd (1400)F						
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382						
Income Growth	1	187.8	187.8xd	194.6	+9.0	5.00
Buckmaster Mangmt Co Ltd (1200)H						
15 St Botolph Street, London EC3A 7JJ 071-247 4942						
Emerging Gwth	5¼	57.52	57.52	60.97	+0.72	3.11
(Accum Units)	5¼	59.56	59.59	63.13	+0.74	3.11
Fellowship Tst	5¼	62.81	63.53	67.59	+0.88	2.72
(Accum Units)	5¼	66.67	66.42	70.67	+0.89	2.72
General Inc	5¼	289.0	289.0	306.3	+5.6	3.54
(Accum Units)	5¼	495.3	495.3	525.0	+10.3	3.54
Income	5¼	153.5	156.1	165.6	+2.8	4.40
(Accum Units)	5¼	311.6	316.9	336.2	+5.8	4.40
International	5¼	106.5	106.5	112.9	-0.2	1.00
(Accum Units)	5¼	147.2	147.2	156.0	-0.5	1.00
Smaller Co's	5¼	94.87	96.82	103.0	+1.0	2.08
(Accum Units)	5¼	105.2	107.3	114.2	+1.0	2.08
Inv Portfolio	3	53.52	53.62	55.39	+0.46	2.95
(Accum Units)	3	56.11	56.11	58.07	+0.49	2.95
High Income Port	3	44.40	45.36	47.01	+0.52	4.99
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 071-480 7216						
Short Dated Gilt	1¼	56.13	56.13	56.94	+0.07	6.97
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 071-407 5966						
CCF Sel High Inc Eqy	5½	47.07	47.87	50.93	+0.61	5.5
CCF Sel Intl Gwth	5½	47.66	47.66	51.30	-0.02	1.46
CCF Sel Inv Tst	5½	46.55	47.79	50.78	+0.29	2.0
CCF Sel UK Sm Co's	5½	44.61	45.93	48.87	+0.33	1.00
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 081-740 7070						
UK General Tst	5½	54.84	56.01	59.58	+1.20	2.86
Global Tst	5½	46.83	47.35	50.37	+0.47	0.35
Recovery Tst	5½	45.81	47.01	50.01	+0.85	2.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 071-234 6000						
Growth Fd Acc	5	115.1	116.4xd	122.8	+2.00	5.22
CIS Unit Managers Ltd (1000)F						

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GUIDE TO UNIT TRUST PRICING

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	Init Chrge	Cncl. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Timberlake Trust Mngrs Ltd (0900)F						
1 White Hart Yard, London SE1 1BX 071-407 5966						
Portfolio	2	97.69	97.69	100.53	+0.59	1.17
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
4 Hourly Pricing – 12 Noon Historic						
TR American Gwth	5¼	48.83	48.83	52.08	+0.63	0
TR Eur Sp Sits Acc	5¼	45.95	45.95	48.84	-0.17	0
TR Eur Sp Sits Inc	5¼	45.06	45.06	47.89	-0.17	0
TR Far East Opps Inc	5¼	24.07	24.15	25.70	+0.46	–
TR Far East Opps Acc	5¼	24.07	24.15	25.70	+0.46	–
TR General Growth	5¼	76.11	76.11	80.96	+1.34	2.54
TR Global Tech	5¼	77.63	77.63	82.80	+1.70	0
TR Income Growth	5¼	87.27	87.27	92.84	+1.77	4.31
TR Income Monthly	5¼	51.71	51.71	55.01	+0.98	7.38
TR Japan Growth	7½	84.79	84.79	89.97	+1.88	0
TR Overseas Growth	5¼	68.34	68.34	72.80	+0.85	0
TR Smaller Cos	5¼	74.32	74.32	79.06	+0.85	2.43
TR Special Ops	5¼	83.53	83.55	88.86	+0.95	3.38
TR Mgd Ex Pen Acc	5¼	35.64	35.64	37.91	+0.63	2.62
TR Mgd Ex Pen Inc	5¼	33.42	33.42	35.55	+0.48	2.62
TR Wwde Sp Sit Acc	5¼	38.88	38.88	41.42	+0.18	0
TR Wwde Sp Sit Inc	5¼	38.84	38.84	41.38	+0.18	0
TR Pension Portfolio						
TR American Gwth ◆	6	29.13	29.52	31.29	+0.35	0
TR Eur Sp Sits ◆	6	36.55	36.91	39.12	-0.14	0
TR General Growth ◆	6	25.19	25.48	26.98	+0.54	0
TR Global Tech ◆	6	30.31	30.71	32.55	+0.61	0
TR Income Growth ◆	6	25.39	25.66	27.20	+0.61	0
TR Japan Growth ◆	6	26.57	26.78	28.39	+1.30	0
TR Mgd Equity ◆	6	27.28	27.57	29.23	+0.43	0
TR Overseas Growth ◆	6	29.32	29.69	31.47	+0.30	0
TR Smaller Cos ◆	6	17.48	17.67	18.73	+0.17	0

Trades Union Unit Tst Mngrs (1200)H

Triton Fd Mngrs. Ltd. (1000)H

Tyndall Unit Tst Mngs Ltd (1600)F

UK Unit Trust Managers Ltd (0900)F

UTAM Ltd (1500)F

United Charities Unit Trusts (1000)H

Wardley Unit Tst Mngrs Ltd (1900)H

Waverley Unit Tst Mngmt Ltd (1000)F

Wessex Asset Management (1330)F

Whittingdale Unit Tst Mgmt Ltd

Willbro Financial Services Ltd (0900)F

Windsor Trust Mngrs Ltd (1200)F

Wright Seligman Fund Mngrs Ltd (1700)F

The Yorkshire Unit Tst Mngrs Ltd (1100)F

	Bid Price	Offer Price	+ or -	Yield Gross
Thornton Unit Managers Ltd				
Managed Exempt May 15	100.28	107.29xd	-----	3.85
(Accum Units)	101.06	108.11xd	-----	3.85
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1305	1319xd	-----	1.37
TR Exempt Nth Amer	970	983xd	-----	9.30
TR Exempt Pac Basin	920	934xd	-----	0

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Cent. Bd. of Fin. of Church of England

Clerical Medical Unit Trust Managers

CAFINVEST-Charities Aid Foundation

COIF-Charities Official Inv Fd

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Foreign & Colonial Pens Mngt Ltd

Funds in Court

Henderson Unit Trust Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.

M & G Securities Ltd

MIM Ltd

Morgan Grenfell Unit Trust Managers Ltd

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

NM Rothschild Asset Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	299.1	314.9	-0.6	–
Equity Ser. 1	130.6	137.5	+1.7	–
Prop. Acc. Ser 2	461.0	485.3	-0.9	–
Equity Ser 2	151.5	159.5	+2.0	–
Selective Acc	348.5	367.0	+2.8	–
Prop. Ser. 4	367.8	388.0	+1.5	–
Equity Ser. 4	155.0	163.2	+1.7	–
Man. Ser. 4	443.7	467.1	+5.6	–
Fixed Int. Ser. 4	228.7	230.3	+1.7	–
Indexed Inv. Ser. 4	147.1	154.9	+0.8	–

Aetna Life Assurance Ltd

Allied Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Ambassador Life Assce. Co. Ltd

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co. Ltd

Britannia Life Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

Citicorp British National

City of Edinburgh Life Assurance

City of Westminster Assurance Co

Clerical Medical Investments Group

Clerical Medical/Fidelity International

Colonial Mutual Group

Commercial Union Group

Confederation Life Insurance Co

Cornhill Insurance PLC

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Eagle Star Insurance Co Ltd

Eagle Star Insur./Midland Assur.

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident Linked Life Assur.

General Portfolio Life Insce Plc

Assicurazioni GENERALI SpA

Gresham Unit Assurance Ltd

The LAS Group

Guardian Royal Exchange

Growth & Sec. Life Assce. Soc. Ltd

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

MIM Assurance

MLA

Manufacturers Life Insurance

Merchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Life Assurance Ltd

N & P Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Prices May 1 Next dealing June 1

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OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED**)

MANAGEMENT SERVICES

OFFSHORE INSURANCES

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IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$12.81	13.58	+0.15	0.81
Japanese Warrants	$8.52	9.03	-0.01	-
Asian Warrants	$9.58	10.15	+0.41	-
European Warrants	$10.33	10.94	+0.16	-
Wells Fargo U.S. IT Fund				
NAV May 21		$9.84	......	-
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$1.0031	......	-
Xiphias Int ECU		Ecu1.0087	......	-

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
CAF Money Management Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD			0732 770114	
Cafcash Deposit Fd	14.82	-	15.66	3-Mth
The CDIF Charities Deposit Account				
2 Fore Street, London EC2Y 5AQ			071-588 1815	
Deposit	14.84	-	15.69	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX			071-236 1425	
Call Fnd	14.40	11.23	15.39	6-Mth
7-day Fund	14.48	11.30	15.49	6-Mth
Special Fund	14.89	-	16.33	1-Mth
Dollar	6.87	5.36	7.29	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY			071-638 6070	
Treasury Acc	13.50	10.53	14.60	Qtr
[illegible]	13.50	10.53	14.73	Mth
[illegible]	14.00	10.92	15.31	Mth
Mth Int Chq £50 000+	14.50	11.31	15.88	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			071-629 6802	
OMNA (£2,001 +)	14.78	11.53	16.210	Mth
HICA (£2,001 +)	13.90	10.84	15.196	Mth
PROMNA (£250,001+)	14.90	11.62	16.349	-
American Express Bank Ltd				
c/o American Express Financial Services Limited				
49 The Markets, Burgess Hill				
West Sussex, RH15 9NW 0444 870088				

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark and Canadian $ weak

POLITICAL WORRIES hit the D-Mark and the Canadian dollar yesterday. Uncertainty about the terms of German economic union and fears that reunification could produce much higher inflation led to selling of the D-Mark, particularly against the Japanese yen. The refusal of the West German opposition Social Democrats to support a treaty on economic union in its present form added to the depressed mood surrounding the D-Mark. It fell sharply to Y90.80 against the yen from Y92.25 on Monday and also lost ground within the European Monetary System.

The D-Mark remained above the weakest placed French franc in the EMS, but the decline of the German currency put further upward pressure on the Italian lira, despite the recent cut in Italian interest rates. The Bank of Italy bought DM23m and FFr350m at the Milan fixing, as the French franc was fixed at its lowest permitted level of L218.13, against L218.18 previously. At the London close the franc had fallen to L218.10, leaving the lira slightly above its maximum EMS divergence limit.

A weak D-Mark helped reduce the downward pressure on the franc after disappointing French trade figures. The April deficit widened to FFr4.31bn from a revised FFr1.06bn in March. A shortfall of around FFr2.80bn was expected, but the franc improved slightly against the D-Mark at the Paris fixing, without intervention by the Bank of France.

The Bank of Canada intervened as the Canadian dollar came under pressure on political uncertainty. This followed resignations from the ruling Conservative Party over the issue of Quebec. The central bank bought Canadian dollars against its US counterpart at around C$1.1835. At the London close the US dollar had climbed to C$1.1930 from C$1.1795 on Monday.

Today's publication of UK trade figures created a mood of caution around sterling, but the weak D-Mark left the pound stronger against members of the EMS Exchange Rate Mechanism. The market expects an improvement in the April trade deficit to about £1.5bn from the March figure of £2.18bn.

The pound rose to DM2.8225 from DM2.8125 and to FFr9.5050 from FFr9.4775. It also improved slightly to $1.6915 from $1.6910, but fell to Y256.25 from Y259.50 and to SFr2.4000 from SFr2.4050. Sterling's index climbed 0.2 to 88.9.

Lack of confidence in other currencies encouraged funds to flow into the yen. The Japanese unit was firm against the D-Mark and the dollar.

There were no fresh factors to influence the dollar, and the US currency tended to flow with the currents moving other currencies. This meant it strengthened against EMS currencies, but lost ground to the yen. The dollar rose to DM1.6690 from DM1.6635 and to FFr5.6200 from FFr5.6050, while falling to Y151.55 from Y153.50 and to SFr1.4185 from SFr1.4225. Its index was unchanged at 67.3.

£ IN NEW YORK

May.22	Latest	Previous Close
£ Spot	1.6860-1.6920	1.6860-1.6870
1 month	0.98-0.97pm	1.01-1.00pm
3 months	2.69-2.67pm	2.69-2.66pm
12 months	8.82-8.75pm	9.70-9.60pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May.22	Previous
8.30 am	88.8	88.6
9.00 am	88.8	88.7
10.00 am	88.7	88.7
11.00 am	88.8	88.7
Noon	88.8	88.7
1.00 pm	88.8	88.8
2.00 pm	88.8	88.6
3.00 pm	88.8	88.7
4.00 pm	88.9	88.7

CURRENCY RATES

May.22	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.780252	0.726885
U.S Dollar	7	1.32120	1.22662
Canadian $	13.32	N/A	1.44962
Austrian Sch.	6½	15.4290	14.4434
Belgian Franc	10¼	45.2874	42.2693
Danish Krone	10½	8.35989	7.81356
Deutsche Mark	6.00	2.19108	2.05250
Neth. Guilder	7.00	2.46338	2.30678
French Franc	10¼	7.38947	6.90954
Italian Lira	13½	1612.39	1507.51
Japanese Yen	5¼	202.672	186.446
Norway Krone	8	8.49796	7.91844
Spanish Peseta	-	136.459	127.949
Swedish Krona	11	7.98930	7.46152
Swiss Franc	6.00	1.87214	1.74425
Greek Drach.	20½	N/A	201.472
Irish Punt	-	N/A	0.765823

† European Commission Calculations.
* All SDR rates are for May.21.

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

N. Zealand	2.9450-2.9495	1.7430-1.7465
Saudi Ar.	6.3415-6.3465	3.7500-3.7510
Singapore	3.1295-3.1365	1.8530-1.8550
S. Af (Cm)	4.4585-4.4705	2.6415-2.6430
S. Af (Fn)	6.6790-6.8140	3.9525-4.0325
Taiwan	46.45-46.75	27.50-27.55
U.A.E.	6.2085-6.2155	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

May 22	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15-14⅞	15-14⅞	15-14 15/16	15-14 15/16	15-14⅞	14 13/16-14 11/16
US Dollar	8 7/16-8¼	8¼-8¼	8⅜-8¼	8⅜-8¼	8½-8⅜	8¾-8⅝
Can. Dollar	13½-13¼	13½-13¼	13⅝-13½	13⅝-13½	13⅝-13½	13¼-13
D. Guilder	8⅛-7⅞	8⅛-7⅞	8⅜-8¼	8⅜-8¼	8⅝-8½	8⅞-8¾
Sw. Franc	8⅝-8½	8⅞-8⅝	8⅞-8¾	8⅞-8¾	8⅞-8¾	8 13/16-8 11/16
Deutschmark	8 11/16-8 9/16	8 11/16-8 9/16	8-7⅞	8⅜-8¼	8⅞-8¾	8 13/16-8 11/16
Fr. Franc	9⅝-9½	9⅝-9½	9⅝-9½	9¾-9⅝	10-9⅞	10⅜-10¼
Italian Lira	13-11	12-11	12-11½	12-11½	12-11½	12⅝-12⅜
Belgian Franc	10⅛-10	10⅛-9 15/16	10⅛-9 15/16	10⅛-9 15/16	10⅛-9 15/16	10⅛-9 15/16
Yen	7¼-7⅛	7⅜-7¼	7⅜-7¼	7½-7⅜	7⅜-7¼	7½-7⅜
D. Krone	10⅜-10¼	10½-10⅜	10⅝-10½	10⅝-10½	10⅝-10½	10 11/16-10⅝
Asian $Sing	8⅜-8⅛	8⅜-8⅛	8⅜-8¼	8⅜-8¼	8⅜-8¼	8⅜-8¼

Long term Eurodollars: two years 9⅛-9 per cent; three years 9⅜-9¼ per cent; four years 9½-9⅜ per cent; five years 9⅝-9½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

May.22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6855-1.6940	1.6910-1.6920	0.98-0.96cpm	5.87	2.68-2.65pm	5.38
Canada	1.9860-2.0195	2.0120-2.0130	0.29-0.21cpm	1.49	0.75-0.62pm	1.36
Netherlands	3.16¼-3.17¾	3.16¾-3.17¾	1⅞-1⅝cpm	6.62	5⅛-5pm	6.38
Belgium	57.95-58.30	58.20-58.30	29-18cpm	4.84	76-58pm	4.60
Denmark	10.71¼-10.76¼	10.75¼-10.76¼	4⅛-3⅝orepm	4.46	12¼-10¾pm	4.25
Ireland	1.0510-1.0560	1.0520-1.0530	0.28-0.23cpm	2.91	0.85-0.75pm	3.04
W. Germany	2.81¼-2.82¼	2.82-2.82½	1⅝-1½pfpm	6.64	4⅝-4½pm	6.64
Portugal	248.25-249.60	248.60-249.60	3-14cdis	-0.41	84-111dis	-1.57
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar [illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

EXCHANGE CROSS RATES

May 22	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
H Fl.	0.315	0.533	0.890	80.78	2.996	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.482	0.816	1.362	123.6	4.585	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.497	0.841	1.402	127.3	4.722	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.717	2.905	4.846	440.0	16.32	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
1.550	13.70	13.70	13.70	13.90	-	-	0.18	0.48
1.575	11.20	11.20	11.20	11.40	-	0.07	0.40	0.87
1.600	8.80	8.70	8.70	8.90	-	0.21	0.79	1.44
1.625	6.30	6.30	6.32	6.55	0.10	0.57	1.39	2.22
1.650	3.91	4.09	4.29	4.75	0.36	1.23	2.11	3.25
1.675	2.02	2.36	2.74	3.29	1.10	2.16	3.30	4.57
1.700	0.82	1.33	1.74	2.22	2.39	3.66	4.83	6.14

Previous day's open int: Calls 307,662 Puts 321,958 (All currencies)
Previous day's volume: Calls 17,627 Puts 7,859 (All currencies)

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe G'rantee	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank Plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15½
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. N. East	15	Mount Banking	15		
Co-operative Bank	*16	Nat Bk. of Kuwait	15		

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MONEY MARKETS

London rates steady

INTEREST RATES were slightly firmer in London as the money markets consolidated, after a period of enthusiasm about possible full British membership of the EMS.

Three-month interbank was quoted at 15-14 15/16 per cent, compared with 14 15/16-14 13/16, and 12-month money rose to 14⅞-14¾ per cent from 14 13/16-14 11/16. September short sterling opened firmer at 85.64 on Liffe, but weakened to close at 85.48, against 85.59 previously.

UK clearing bank base lending rate 15 per cent from October 5

Day-to-day credit was in quite short supply on the money market. The Bank of England initially forecast a shortage of £750m, but revised this to £800m. Total help of £650m was provided.

Before lunch the authorities bought £48m bills outright, by way of £5m bank bills in band 1 at 14⅞ per cent and £43m bank bills in band 2 at 14¾ per cent. In the afternoon another £302m bills were purchased, via £85m bank bills in band 1 at 14⅞ per cent; £12m Treasury bills in band 2 at 14¾ per cent; and £205m bank bills in band 2 at 14¾ per cent. Late assistance of around £300m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £516m, with the unwinding of bill repurchase agreements absorbing £484m. These outweighed Exchequer transactions adding £165m to liquidity, a fall in the note circulation of £20m, and bank balances above target of £65m.

In Frankfurt the Bundesbank added funds to the banking system as call money rose to the Lombard emergency financing rate of 8 per cent. The money will be repayed today, when the central bank has the opportunity to provide longer term liquidity through a securities repurchase agreement tender. Yesterday's injection was the result of tight conditions caused by tax payments, settlement for a 10-year Government bond, and repayment of Monday's large DM4.5bn Lombard borrowings.

Dealers expect the Bundesbank to provide extra liquidity at today's tender for a 35-day securities repurchase pact, as an earlier facility of DM10.3bn expires. This will not indicate an easing of monetary policy however.

In Brussels the Belgium National Bank cut the interest rate on four month paper by 0.05 per cent to 9.95 per cent. Other rates, including the important three-month bill rate, were left unchanged.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

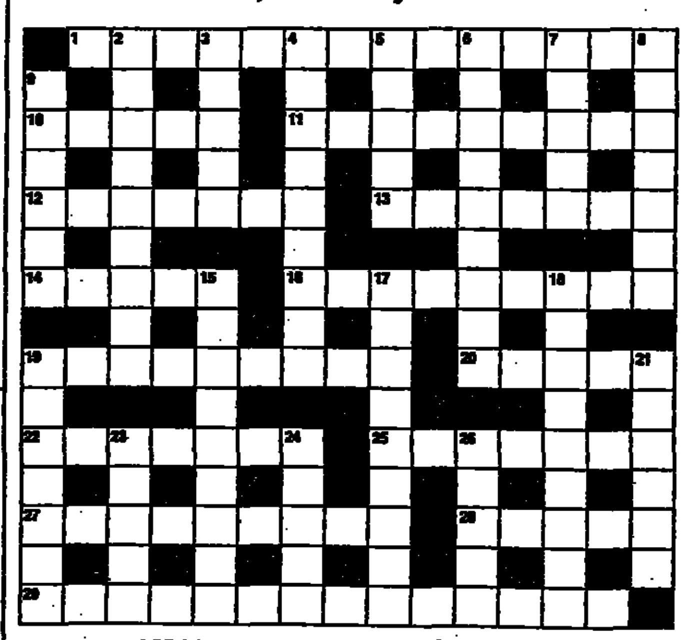
LONDON MONEY RATES

[illegible]

JOTTER PAD

CROSSWORD

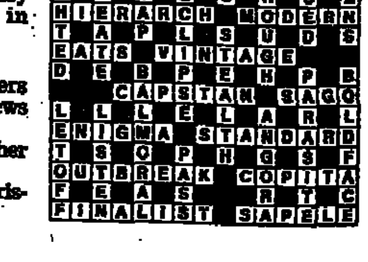
No.7,245 Set by MUTT



ACROSS
1 Hourly arrival? – this is it! (3,4,3,4)
10 See overleaf about the French philosopher (5)
11 The revealing state of Anne's desk – chaotic (9)
12 Turkish, please (7)
13 Soldier has slight suspicion to backtrack (7)
14 Man coming to party brought musical composition (5)
16 Casual attitude to being amputated at wrist? (3-6)
19 Over of river steamer distributing roses (9)
20 Going backwards and forwards with a canoe (5)
22 Creature accepted bribe: completely taken aback but calm (7)
25 Heard to be profoundly affected by earnest-money (7)
27 Random article included in the never-never by accident (9)
28 Rudeness a sailor can handle (5)
29 Expiation time for clumsy yeoman (fat one) in extremes of doubt (3,2,9)

DOWN
2 What the eyebrow-raisers make of this capital news (9)
3 Crowd run out with leather strap (5)
4 Huge battle to scrap uprising over America (9)
5 Walker greeting king and queen (5)
6 To divert the bye-way? (4-5)
7 Love-game, sadly the last (5)
8 Journalist carries a gun in the area (4,3)
9 Spinner rises, plunges again (6)
15 Engage too many in dispute for safe TV (9)
17 Not allowed to be bored – find distraction (9)
18 Got your ticket? Come back soon (3,6)
19 When Dad got on to religion he would become very dry (7)
21 Young exponent of keyboard jazz? (6)
23 Term of endearment that's awfully soppy (5)
24 Preliminary sketch of a foot given to doctor (5)
26 Girl occupying the afternoon in song (5)

Solution to Puzzle No.7,244



WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | MALAYSIA | SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices May 22

Quotations in cents unless marked $.

[illegible]

MONTREAL
Closing prices May 22

[illegible]

Total Sales 5,563,480 shares.

INDICES

NEW YORK

DOW JONES	May 22	May 21	May 18	May 17	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2852.23	2844.68	2819.91	2831.71	2852.23 (22/5)	2543.24 (30/1)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	90.16	89.95	90.04	89.96	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1169.63	1180.83	1177.28	1171.94	1201.10 (2/1)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.09	214.22	214.73	215.29	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2877.13 (2859.72) Low 2828.51 (2802.08)

STANDARD AND POOR'S

	May 22	May 21	May 18	May 17	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	358.43	358.00	354.64	354.47	359.69 (2/1)	322.98 (30/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	418.20	417.23	412.75	412.44	417.23 (21/5)	371.92 (30/1)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	29.48	29.50	29.26	29.25	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	195.58	195.28	193.55	193.49	198.09 (2/1)	178.43 (30/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	359.85	359.36	356.32	354.94	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	463.89	452.89	448.31	445.74	460.90 (3/1)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	May 18	May 11	May 4	year ago (approx.)
Dow Industrial Div. Yield	3.99	3.93	4.05	3.35
	May 16	**May 9**	**May 2**	**year ago (approx.)**
S & P Industrial div. yield	2.98	3.07	3.13	3.17
S & P Ind. P/E ratio	15.49	15.20	14.85	12.82

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Nova Corp.	3,934,300	7	- 1/8
Varity Corp.	2,912,100	3	—
Computer Asc	2,378,900	15 1/2	- 1/8
Philip Morris	2,298,500	45	+ 1/2
Texas Util.	2,236,500	36 1/4	+ 1/4
Fannie Mae	2,183,300	40 1/4	—
Fed. Express	2,072,700	46 3/4	- 5 1/4
Nat. Semi	1,995,400	8 1/4	—
AT & T	1,974,900	43 1/4	- 1/8
IBM	1,933,600	117 1/2	+ 1/2

TRADING ACTIVITY

† Volume Millions	May 22	May 21	May 18
New York	203.350	166.280	168.454
Amex	14.284	11.442	11.637
NASDAQ	(a)	169.571	191.411
Issues Traded	1,990	2,007	1,987
Rises	813	980	745
Falls	695	531	715
Unchanged	482	496	527
New Highs	117	108	53
New Lows	32	33	38

CANADA

TORONTO	May 22	May 21	May 18	May 17	1990 HIGH	1990 LOW
Metals & Minerals	3104.30	(c)	3053.40	3064.80	3453.05 (4/1)	2850.80 (23/4)
Composite	3540.60	(c)	3521.30	3509.50	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1827.76	(c)	1816.38	1811.67	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (a) Unavailable.

	May 22	May 21	May 18	May 17	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1465.4	1458.0	1478.1	1481.6	1713.7 (12/1)	1434.5 (30/4)
All Mining (1/1/80)	725.8	719.9	728.5	731.8	860.8 (5/1)	715.3 (1/5)
AUSTRIA						
Credit Aktien (30/12/84)	558.82	560.18	581.47	591.14	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	6134.92	6133.70	6160.05	6163.50	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	374.14	369.38	368.12	365.53	380.47 (28/3)	352.96 (25/4)
FINLAND						
Unitas General (1975)	577.9	577.2	574.3	570.3	677.3 (23/1)	562.2 (11/5)
FRANCE						
CAC General (31/12/82)	554.94	552.58	556.62	548.84	557.60 (7/5)	482.94 (26/2)
CAC 40 (31/12/87)	2115.60	2092.21	2100.17	2103.94	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	764.62	771.70	788.15	776.5	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2216.4	2235.7	2281.7	2249.9	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1813.26	1811.18	1843.59	1841.58	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2970.87	2938.83	2925.89	2917.63	3067.67 (19/4)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1642.75	1640.93	1640.13	1631.28	1899.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	733.33	730.60	724.09	721.21	733.33 (22/5)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	31938.30	31765.05	32013.72	32061.60	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2390.59	2370.82	2388.26	2399.23	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	3872.57	3868.93	3868.26	3862.28	4284.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	581.39	570.65	566.13	559.46	622.20 (20/2)	518.55 (2/5)
NETHERLANDS						
CBS Tst.Rtn.Gen.(End 1983)	265.6	261.9	262.7	263.6	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	198.2	195.5	196.1	199.1	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (2/1/83)	857.21	848.60	846.68	(c)	857.21 (22/5)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	908.00	932.18	924.26	968.43	1160.78 (21/3)	908.00 (22/5)
SINGAPORE						
SES All-Singapore (2/4/75)	440.84	437.71	432.22	423.87	443.34 (6/2)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1677.0	1670.0	1698.0	1677.0	2230.0 (16/1)	1638.0 (18/5)
JSE Industrial (28/9/78)	2922.0	2921.0	2934.0	2940.0	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	785.93	770.28	766.15	773.43	928.82 (4/1)	688.66 (30/4)
SPAIN						
Madrid SE (30/12/85)	283.25	282.51	283.96	285.06	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1239.70	1232.90	1228.50	1225.00	1317.88 (12/1)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	787.7	785.6	785.6	782.5	787.7 (22/5)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	6728.32	6992.89	7416.96	7927.17	12495.34 (12/2)	6728.32 (22/5)
THAILAND						
Bangkok SET (30/4/75)	978.05	957.96	926.63	908.79	978.05 (22/5)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	514.4	515.3	517.2	571.0 (4/1)	468.3 (2/4)

**Saturday May 19: Taiwan Weighted Price: (c) Korea Comp Ex. 765.16

a Subject to official recalculation.

Apeb Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials — 264.3 and Australia All Ordinary and Mining — 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday May 22 1990

	Stocks Traded	Closing Prices	Change on day
Kawasaki Hvy	19.7m	925	+30
Sasebo Hvy	16.8m	1,080	+40
Ebara	15.5m	2,140	+10
Nippon Mining	13.5m	1,040	0
MHI	13.3m	1,000	+30
Nippon Steel	13.2m	624	+16
Chiyoda Corp	12.9m	2,570	+50
NKK	11.8m	641	+13
Sharp	10.1m	1,620	+50
Hokuetsu Paper	7.9m	2,450	-140

4pm prices May.22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	20¼	AAR	.48	2.2	13	1130	21⅞	20⅞	21⅝	+ ⅝
9¼	8	ACM n	1.01	12.		211	8¾	8⅝	8⅝	
11⅝	9¼	ACMIn	1.26	13.		898	9¾	9½	9⅝	
9⅞	7¾	ACM M	n1.01	13.		395	7⅞	7¾	7¾	
12⅛	10	ACMMM				125	10⅝	10⅜	10½	– ⅛
11½	9⅜	ACM Sc	1.26	13.		1297	9¾	9½	9¾	+ ¼
9⅝	8⅛	ACMSp	1.01	12.		835	8½	8⅜	8½	
22⅝	14⅜	AL Lab	.16	.7	19	99	21⅞	21½	21⅞	+ ⅜
4⅛	3	AMCA	.20e	6.7	9	70	3⅛	3	3	
6⅛	2⅛	AM Ind			8	1197	2½	2⅜	2⅜	
23⅛	10¼	AM In pf	2	18.		147	11⅛	10⅞	11⅛	+ ⅛
107¼	52½	AMR			12	3748	66½	64⅝	65	– ¾
4⅛	3	ARX				19	3⅜	3⅜	3⅜	
72⅜	39	ASA	3a	5.8		1727	51¾	50⅝	51½	+1¼
71⅞	55¼	AbtLab	1.68	2.3	18	8061	u72¼	71⅛	72	+ ½
36⅛	27⅜	AbtLb wi				88	u38½	38	38⅜	+ ½
16⅞	11¼	AbiliBi	g .60			10	12⅜	12⅜	12⅜	– ⅛
13	8¼	AcmeC	.40	4.3	11	145	9⅜	9¼	9¼	– ⅜
9¾	7⅝	AcmeE	.32	3.6	11	128	9	8¾	9	– ⅛
40⅝	28⅜	Acuson			25	1511	u41⅞	40⅛	41⅞	+1½
16½	13⅜	AdaEx	2.08e	13.		210	16⅛	16	16⅛	– ⅛
15¾	9	Adobe				184	12⅝	12⅜	12½	– ⅛
20⅛	17¾	Adob pf	1.84	9.7		22	19	19	19	
21⅝	20⅛	Adob pf	2.40	11.		31	21⅛	21	21	+ ⅛
11	6⅞	AMD			28	8518	u11⅛	10⅝	10⅞	
35	28¼	AMD pf	3	9.3		187	32⅜	32	32¼	+ ⅜
10⅛	4⅛	Advest	.16	3.7	55	77	4½	4⅜	4⅜	
62½	45¼	AetnLf	2.76	5.3	9	1949	51⅞	51⅜	51¾	+ ¼
14	9¾	AffPb	.24	2.4		1623	10	9⅞	9⅞	– ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 51

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
5⅞	2⅛	Radice n				5	2¼	2¼	2¼	−⅛
101½	77⅝	RalsPur	1.85	2.1	16	1077	89½	88½	89	+¼
6⅞	5⅛	RangrO	.05e	.9	21	350	6⅜	6¼	6⅜	−⅛
39¼	25⅛	Raycm	.32	1.0	206	1341	33¼	32⅞	32⅞	−⅜
19⅝	14⅞	RJamF	.24	1.2	8	23	u19⅞	19¼	19⅞	+½
26½	16⅝	Rayonr	3.60	15.	6	228	24⅜	23⅞	24⅛	+⅜
2⅞	1⅞	vjRaytc			4	20	2½	2½	2½	
85	60	Raythn	2.40	3.7	8	2210	65¼	64	64⅛	−½
24⅞	21	RdrDg	n.12e	.5		910	24¾	24½	24½	−⅛
5	15-16	RdgB n				1225	2	1⅝	1⅞	−⅛
17	14¼	REIT	1.42	9.8	10	615	14½	d14	14½	
12⅞	4⅞	RechEq				199	5⅛	4⅞	5	+⅛
20	12⅝	Reebok	.30	1.7	12	3524	18½	17⅞	18	−⅛
½	5-32	Regal				149	½	7-16	15-32	
15⅝	11⅞	ReichTg	1.78e	15.	6	63	11¾	11½	11⅝	−⅛
8⅝	4⅞	RelGrp	.32	6.4	125	64	5⅛	5	5	−⅛
24⅞	16¼	Repcot	n.27e	1.1		3417	24⅝	24½	24⅝	
5¾	4	RepGyp	.05j		32	20	4⅛	4⅛	4⅛	
52⅞	42½	RepNY	1.32	2.7	349	271	49⅛	48⅝	48⅞	+¼
11⅛	1⅞	Revlon				133	2⅝	2½	2½	−⅛
33⅞	18⅝	RayRey	.80	3.5	10	2154	23	22⅞	22⅞	
60⅛	48½	RayMtl	1.80	3.2	7	8907	57⅛	55⅞	57⅛	+1½
19	14⅝	RhP plA				16	18⅛	18⅛	18⅛	−⅛
3½	1⅞	RhnP wt				808	2½	2⅜	2⅜	
22	16½	RhwPl n				98	18⅛	18	18	−⅛
41⅛	29½	RiteAid	.90	2.7	14	1646	33⅞	33½	33⅞	+⅛
19⅞	14⅞	RbtHlf			18	21	15	15	15	
14⅛	9⅛	Robesn			25	446	11½	10¼	10⅜	−⅛
22⅛	17½	RochG	1.56	8.2	10	391	19⅛	19⅛	19⅛	
45⅞	29⅞	RochTl	s1.46	4.3	18	1115	34⅛	33⅛	34⅛	+1⅛
22⅛	18⅞	RckCtr	1.88	10.	17	259	18⅝	18½	18⅝	+⅛
27⅛	19¼	Rockwl	.78	3.0	10	3543	26	25⅞	25⅞	
7⅝	5	RodRen				38	6⅛	6⅛	6⅛	
37½	28⅛	RoHaas	1.20	3.5	13	476	34⅜	33⅞	34½	+⅜
33⅝	18½	Rohr			270	861	21⅝	21⅛	21⅝	+¼
[illegible]										

[illegible]

AMEX COMPOSITE PRICES

4pm prices May 22

[illegible]

NASDAQ NATIONAL MARKET

3pm prices May 22

[illegible]

FINANCIAL TIMES
Wednesday May 23 1990

AMERICA

Dow plunges after rise on unspent funds report

Wall Street

A US press report that the US Government has found as much as $50bn in unspent funds triggered a sharp rally in equities yesterday morning but, after an explanatory statement from the Treasury saying that the money would not be available to reduce the budget deficit, prices slumped back to register only modest gains at the close, *writes Janet Bush in New York.*

The Dow Jones Industrial Average had stood more than 20 points higher in a rally prompted by the report in a Chicago newspaper but exaggerated by stock index arbitrage with the futures market. It closed 7.55 points higher at 2,852.23, another record high, on active volume of 203m shares.

The Dow had closed 24.77 points higher on Monday at a record high of 2,844.68.

After an early rally which built on Monday's substantial gains, the over-the-counter market dipped back to leave the Nasdaq Composite index only 0.99 point higher at 453.88. Cable television and personal computer stocks, both of which rallied on Monday, turned mixed yesterday as profit-taking set in.

The Chicago newspaper report said that an investigation had turned up $50bn in federal appropriations which had not been spent and the financial markets immediately rallied on the interpretation that the funds could be used directly to cut the budget deficit.

However, a Bush administration official later made it clear that the $50bn was not available and that much of that amount had expired and simply been reappropriated to later budgets.

Stripping out the effect of the report – widely regarded as a specious reason for buying yesterday morning – and the exaggerating effect of stock index arbitrage, the trend of the market appeared to be sideways. Independent of the Treasury's disclaimer on the $50bn discovery, the Dow appeared to run into stiff resistance at the 2,860 level.

Mr Newton Zinder, technical analyst at Shearson Lehman Hutton, noted that the Dow has been locked into a range between 2,800 and 2,860 over the past week with both levels being tested 73 unsuccessfully.

He noted a number of signs that the market may be preparing to break above the top of this range including an improved performance by secondary stocks on Monday and the fact that the Dow Jones Transportation Average closed at its best level in over a month.

One of the most actively traded issues yesterday was Federal Express which plunged $5¼ to $46¼ after several analysts downgraded their earnings estimates in response to disappointing April volume figures.

Computer Associates International, another actively traded issue, dropped $¾ to $15½ after reporting fiscal fourth quarter earnings of 36 cents a share.

This was up from last year's 23 cents a share but still at the low end of expectations.

Archer-Daniels-Midland, a manufacturer of additives used to produce cleaner gasoline, added $½ to $25⅜ on hopes of a new law which would require the use of cleaner gasoline in the smoggiest areas of the US.

Timken, a manufacturer of tapered roller bearings, jumped $1⅛ to $35⅛ and Crane, an engineering company, added $¾ to $26⅛ on US press speculation that either may be the new target for BTR of Britain after its failure to acquire Norton.

Canada

TORONTO stocks retreated from earlier gains to close mixed in moderate trading.

The 300 Composite Index gained 19.29 to 3,540.54 after having been ahead more than 30 points early in the session. But losers led gainers 304 to 295.

Brazilian equities face a climate of insecurity

John Barham on a government's unpopular choices

THESE are dark days for Brazilian equities. First, President Fernando Collor de Mello's drastic economic policies shook the financial sector to its foundations. Then, last week, the Government announced a new round of tax and financial measures which, operators claim, could bring final ruin to the equity market.

The Sao Paulo stock exchange's Ibovespa share index fell 10.5 per cent to 12,376 on May 15, the day after the latest measures were announced. Prices have since recovered. On Monday, the index climbed 4.7 per cent to 13,688 – only 1.04 per cent less than a week earlier. None the less, it has fallen 51.4 per cent in dollar terms this year.

The toughest of last week's tax measures was revoked within 24 hours, after being shown to be unconstitutional, and a rule forcing financial institutions to buy $7bn worth of government securities may well be softened. Nevertheless, last week's policy package could still have far-reaching consequences.

Banks, insurance companies, pension funds and brokerages will all have to begin buying the securities in June. They will have six months to pay for the paper, called Privatisation Certificates (CPs), which can only be exchanged for shares in state companies up for sale at privatisation auctions.

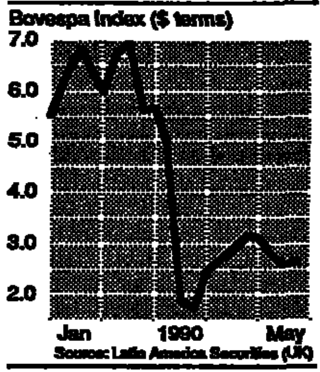
Government officials are intent on punishing the financial system for having profited from hyperinflation. They purposely designed the certificates to lose value slowly over time. For good measure, they banned holders from creating a secondary market in CPs.

Share prices have bounced back because the financial sector's various lobbies have begun negotiating with the government to soften the CPs' heavy impact. The risk of institutional investors having to dump shares to pay for the CPs has receded.

However, brokers say the rapid recovery in share prices means little in a market that has shrunk to a daily turnover

Brazil: Sao Paulo

Bovespa Index ($ terms)



Source: Latin America Securities (UK)

of a mere $10m-$15m. Trading volume fell by two thirds after Mr Collor froze 80 per cent of financial assets on becoming president.

Sixty per cent of trades are now concentrated in three shares - Petrobras, Companhia Vale do Rio Doce and Telebras, respectively the state-owned oil, mining and telecommunications companies. Over the years, many state companies sold preferred stock heavily to raise money.

Volume is bound to decline further still. Mr Henrique Molinari, a partner in Sao Paulo's RMC brokerage, says: "The pension funds are the market's biggest clients, but they will be absent from the market for the next six months as they pay for their CPs." The funds invest about $450m a month in equities and financial instruments. Under the present rules they must spend the equivalent to 25 per cent of assets on acquiring CPs.

Brokers wail that many firms that suffered in the March assets freeze will now have to close their doors. Brokerages and banks will have to use 3 per cent of first-quarter assets to buy CPs.

Mr Molinari says there will not be enough conventional equity business to go around. About 20 to 30 brokerages control half of Sao Paulo's trading volume, leaving the other half for the remaining 50 or 60 firms.

Febraban, a bank lobby, is also negotiating alterations with the Central Bank. Febraban's Mr Leo Wallace Cochrane comments: "Some buyers simply cannot afford the CPs; so they will close for good." The prospect of bank closures or even failures would further shake public confidence in the financial system.

The CPs are not the equity market's only difficulty. Recession now seems inevitable. Indecision and blundering by inexperienced government officials is increasing doubt throughout the country over the success of Mr Collor's radical policies. "All these comings and goings by the Government," observed Ms Thereza Maria Fernandes Dias da Silva, a director of Sao Paulo's Silex brokerage, "only increase the climate of insecurity and suspicion of the entire population, which will think twice from now on before taking decisions."

The Government will be criticised, whatever it decides to do about the CPs. If it dilutes the poison, it will be criticised for vacillating. If it sticks to its guns it may be accused of causing a financial meltdown.

EUROPE

Worried Frankfurt misinterprets Siemens

FAR FROM celebrating the upsurge in London and on Wall Street yesterday, some brokers in Frankfurt worried that funds might shed some of their overweighting in West German stocks to make room for more topical targets, *writes Our Markets Staff.*

FRANKFURT, meanwhile, misinterpreted an analysts' briefing by Siemens, which led them to understand that the initial acquisition costs for Plessey of the UK, problems in Brazil and a writedown of bond values within its DM2bn investment portfolio would impinge on second half earnings growth in the year to September 30 next.

UK brokers James Capel said later yesterday that most of these factors are non-recurring and technical, and have little bearing on what is a very strong underlying performance. However, the market thought otherwise in early trading: Siemens fell DM22.50 to DM709 at one point and the DAX index fell as low as 1,785.76 in the first hour.

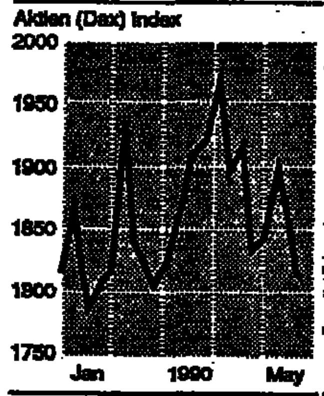
Later, clarification came from the company, and the shares rallied to close only DM9.50 lower at DM722. The market improved on that, the DAX closing 2.08 higher at 1813.26 after a 7.08 fall to 764.67 in the FAZ at midsession. Volume rose from DM5.5bn to DM7.1bn with Siemens, trading in DM1.2bn, leading the most-active stocks list by a wide margin.

"Brokers need some turnover in a thin market," said Mr Werner Wanke, head of securities at B Metzler in Frankfurt yesterday, "and there has been misinterpretation of both macroeconomic and microeconomic news data over the past fortnight. Metzler, he said, still calculated that Siemens could raise its earnings from DM45 to DM47 a share this year.

Other big blue chips did well on the day, Daimler and Deutsche Bank rising DM9, and DM6 to DM816 and DM767 respectively. Second liners were mixed amid a sprinkling of uninspiring corporate reports: Thyssen fell DM1 to DM285.50 on a 21 per cent drop in first half profits; in chemicals, Schering lost DM18 to DM788 after it announced that it was calling off the planned merger of agrochemical units with Sandoz of Switzerland.

W.Germany

Aktien (Dax) Index



MILAN started off well but profit-taking set in after the market's recent gains. The Comit index ended 2.78 higher at 733.33. The chemical sector came under pressure following news that Enimont lost out on a bid for Polysar, a leading Canadian synthetic rubber manufacturer. Although Montedison closed L23 higher at L2,011 it sank to L1,985 lire after hours. Enimont lost L8 to L1,440.

The Olivetti computer group fell L40 to L7,260 after it denied that the Dutch electronics giant Philips planned to buy a majority stake in it. But the cement sector was firmer following the recent rise in cement prices, and renewed talk that the Government planned to spend L92bn on public construction works. Unicem rose L290 to L29,030 and Italcementi added L850 to L140,500.

PARIS ended the May trading account firmer on short-covering. The CAC 40 index rose 22.79 to 2,115.00 in moderate volume. Rhone Poulenc certificates fell FFr15 to FFr415 after it reported a drop in first quarter net; brokers were also wary of the stock following the company's cautious comments for the full year.

CMB Packaging rose FFr13 to FF203.80 on solid volume of 258,100 shares following some positive recommendations by London brokers. Lafarge more than recovered Monday's fall to close FFr20.40 higher at FFr475, with a large 349,100 shares traded. One broker said Lafarge might ask shareholders for permission to increase authorised capital and to lower the disclosure threshold for individual shareholders at the annual meeting on May 30. Elf continued to build on recent gains while Pechiney continued to slip following its poor results earlier this week.

AMSTERDAM saw the CBS Tendency index up 0.9 to 119 on selective buying of blue-chips and short-covering by market-makers. Among featured stocks, Philips rose Fl 1 to Fl 33.10 after the Olivetti bid speculation.

The insurance sector continued to be firm. Amev, ex-dividend of Fl 1.85, closed 20 cents lower at Fl 57.90, effectively rising Fl 1.65. NatNed and Aegon both rose 80 cents to Fl 75.80 and Fl 123.80 respectively.

OSLO was encouraged by gains on overseas markets but this was partially offset by lower crude prices. The all-share index rose 7.04 to 646.84, near the record high of 649.73 set on March 16. Norsk Hydro rose NKr2 to NKr209.

ZURICH had a weak start, but volume doubled in the afternoon session as markets elsewhere turned higher. The the Crédit Suisse index rose 7.4 to 630.7.

ASIA PACIFIC

Nikkei withstands wave of arbitrage selling

Tokyo

SUSTAINED interest in good corporate fundamentals helped the market withstand a wave of arbitrage selling yesterday, *writes Michiyo Nakamoto in Tokyo.*

After an early loss of over 160, the Nikkei average rebounded to close 173.25 to the good at its day's high of 31,938.30, just failing to to regain the 32,000 level. The day's low was 31,599.70. Gainers led losers by 530 to 402 and 176 issues were unchanged.

Turnover rose from 350m shares to 500m. The Topix index of all listed shares rose 19.77 to 2,390.59 and in London, the ISE/Nikkei 50 index closed 2.53 higher at 1,787.89.

Investors are expected to remain cautious this week before a crop of corporate results which will peak at the end of the week. Next week, however, staff at the leading brokers will have settled into their new posts, following the regular company employee transfers, and will be able to adopt a more aggressive sales strategy. "Buying interest has started to warm up," said Mr Shin Tokoi at County NatWest.

All eyes were on Sony, which reports tomorrow. The market has speculated that Sony's earnings will be above expectations and that it will make a scrip issue. Sony hit a new high for the year at Y8,840 before closing Y80 better at Y8,800.

Other high technology stocks which are expected to report good earnings were favoured. TDK, the maker of magnetic tapes, rose a strong Y100 to Y6,770 while Pioneer advanced Y80 to Y6,030.

Expectations that capital spending among semiconductor manufacturers will remain high as they switch production from 1-megabit DRAM Chips to 4-megabits attracted attention to companies in this sector.

Tokyo Electron reached a high for the year of Y4,360 before closing Y60 up at Y4,310. The company is expected to announce higher-than-expected earnings and is also rumoured to be planning a scrip issue.

A firmer yen and bond prices supported big companies. Kawasaki Heavy Industries topped the actives list with 19.7m shares and rose Y30 to Y925. Sasebo Heavy Industries followed with 16.8m shares and firmed Y40 to Y1,080.

The environmental protection theme continued to attract attention. There were rumours that Japanese brokers would copy their western rivals and set up "clean energy" funds. Ebara, the industrial machinery maker which produces environment protection machines, was third in volume with 15.5m shares and added Y10 to Y2,140. Chiyoda, another manufacturer of environment-friendly machinery, gained Y50 to Y2,570.

Large capital issues rose in Osaka to take the OSE average up 102.22 to 34,587.35. Volume improved to 59.7m shares from 34.4m.

Roundup

POLITICAL, or politically-inspired action and speculation led the region's markets into more volatile territory yesterday, although the balance of the action seemed to tilt towards the upside.

SEOUL enjoyed the attention of the stock market stabilisation fund created recently by financial institutions and listed companies after the government said it would act to stop real estate speculation.

Volume more than doubled from 100bn won to 222bn, rises led falls by 686 to 45 and the composite index closed 15.65, or 2 per cent higher at 785.93.

HONG KONG rallied on reports that the US President, Mr George Bush, will extend China's Most Favoured Nation (MFN) trade status on June 3, the first anniversary of the Tiananmen Square atrocities in Peking. The Hang Seng index put on 40.04, or 1.3 per cent, to 2970.87 as turnover jumped from HK$731m to HK$1.19bn.

Though overseas funds still refrained from aggressive buying, local institutions were more bullish, with quality blue chips and trading concerns in particular being in strong demand. Various second liners, the subject of corporate rumours, were also active.

BANGKOK hit another record high, the SET index rising 20.09 to 978.05 in heavy turnover after Monday's 31.32 gain, as optimism over Thailand's liberalised foreign exchange rules continued to fuel its bull run.

TAIWAN made a feeble attempt to rally and failed. The weighted index, which fell 5.7 per cent on Monday, shed another 272.57, or 3.9 per cent, to 6,720.32 in an atmosphere of dejection. Volume fell from 982.5m shares and NT$71.4bn to 900.7m and NT$57.4bn.

MANILA was depressed by the political situation, a grenade exploded in the capital and police defused bombs found early in the day in the Makati financial centre.

The 21.6 per cent decline in first quarter income at San Miguel, the country's largest food and beverage conglomerate, also pulled the market lower, the composite index dropping 24.18, or 2.6 per cent to 908.00.

A government move to raise taxes on beer and cigarettes is a bear point for San Miguel, which fell 2.50 pesos to 68.

Elsewhere, SINGAPORE's Straits Times industrial index rose 7.60 to 1,578.59 in the expectation of better things to come. AUSTRALIA firmed after five days of declines with the All-Ordinaries index 7.4 better at 1,465.4 and NEW ZEALAND was unsettled by the absence of foreign buyers, the Barclays index falling 16.39 to 1,734.86 after a 17.12 fall on Monday.

SOUTH AFRICA

DE BEERS fell back after the company voiced its disapproval of a scheme to separate De Beers Cons shares from De Beers Centenary AG shares, which will be listed in Switzerland on June 11. The stock fell R3.50 to R103.25.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY MAY 22 1990						MONDAY MAY 21 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (81)	132.07	+1.2	115.76	114.59	+0.8	6.06	130.56	114.47	113.67	158.31	125.85	136.33
Austria (19)	235.52	−0.1	206.43	204.35	+0.4	1.32	235.78	206.72	203.48	285.63	193.15	113.34
Belgium (61)	148.12	−2.0	129.83	125.84	−1.4	4.58	151.08	132.46	127.61	160.02	132.11	126.96
Canada (120)	135.36	−0.3	118.65	116.94	+0.8	3.45	135.82	119.08	116.01	153.61	130.37	136.50
Denmark (33)	257.13	+1.6	225.38	222.51	+2.0	1.29	252.99	221.81	218.07	260.82	236.69	171.72
Finland (26)	138.94	−0.5	121.78	114.52	−0.1	2.39	139.63	122.42	114.68	152.29	129.99	140.65
France (125)	166.52	+0.5	145.95	146.80	+0.8	2.80	165.63	145.22	145.63	168.85	141.69	112.91
West Germany (93)	128.28	−1.2	112.44	111.31	−0.9	2.01	129.89	113.89	112.34	137.71	122.05	79.56
Hong Kong (48)	123.37	+1.4	108.13	123.24	+1.4	5.06	121.65	106.66	121.57	126.90	112.24	129.98
Ireland (17)	182.21	−0.3	159.70	159.81	+0.0	2.74	182.71	160.19	159.75	198.57	172.72	137.29
Italy (96)	106.43	+0.4	93.29	97.41	+0.6	2.45	106.00	92.93	96.82	106.43	91.85	75.47
Japan (454)	152.79	+2.3	133.92	146.36	+1.0	0.57	149.30	130.90	144.86	197.26	124.40	178.77
Malaysia (35)	230.48	+1.1	202.01	240.11	+1.2	2.24	228.00	199.90	237.26	245.32	204.15	182.40
Mexico (13)	504.10	+0.4	441.84	1562.26	+0.0	0.33	501.92	440.06	1562.62	504.10	324.53	214.76
Netherland (43)	141.49	+1.2	124.02	121.15	+1.5	4.65	139.80	122.57	119.32	145.66	130.43	112.31
New Zealand (17)	62.63	−1.0	54.90	58.01	−1.0	7.58	63.27	55.47	58.60	75.36	59.57	68.34
Norway (23)	243.74	+0.9	213.64	213.05	+1.0	1.49	241.52	211.76	211.04	245.90	202.34	181.41
Singapore (25)	207.14	+0.3	181.56	176.98	+0.3	1.86	206.50	181.05	176.36	207.14	179.70	158.69
South Africa (60)	190.77	−2.0	167.21	166.47	−0.8	3.57	194.58	170.60	167.79	251.39	173.80	128.44
Spain (42)	160.78	−0.3	140.92	126.68	+0.2	4.19	161.31	141.43	126.46	165.19	132.84	148.24
Sweden (35)	202.14	+0.1	177.18	181.65	+0.2	2.22	202.00	177.11	181.22	208.95	173.89	157.57
Switzerland (66)	100.73	+1.1	88.29	88.58	+0.8	2.33	99.60	87.32	87.84	102.05	88.75	68.53
United Kingdom (305)	157.92	+1.4	138.42	138.42	+1.4	4.62	155.76	136.56	136.56	164.31	139.87	139.89
USA (537)	144.85	+0.2	126.96	144.85	+0.2	3.37	144.63	126.81	144.63	145.40	130.61	129.82
Europe (984)	145.74	+0.5	127.74	126.58	+0.7	3.56	145.00	127.13	125.74	146.66	135.57	112.99
Nordic (117)	200.78	+0.8	175.98	170.00	+1.0	1.77	199.27	174.71	168.30	201.89	185.01	150.30
Pacific Basin (660)	150.96	+2.2	132.32	144.17	+1.0	0.88	147.64	129.44	142.71	192.75	124.63	174.99
Euro – Pacific (1644)	149.24	+1.6	130.81	137.52	+0.9	1.94	146.96	128.84	136.32	174.18	130.35	150.20
North America (657)	144.18	+0.1	126.37	143.00	+0.2	3.37	144.00	126.25	142.73	145.78	131.02	130.13
Europe Ex. UK (679)	136.71	+0.0	119.82	119.06	+0.2	2.77	136.74	119.89	118.78	139.50	124.81	96.30
Pacific Ex. Japan (206)	128.49	+1.0	112.62	116.01	+0.9	5.24	127.17	111.50	115.02	139.32	122.53	129.52
World Ex. US (1837)	149.38	+1.4	130.93	137.49	+0.9	2.01	147.25	129.10	136.32	173.77	131.30	149.55
World Ex. UK (2069)	145.55	+1.0	127.57	139.98	+0.5	2.22	144.16	126.40	139.23	162.00	130.80	141.67
World Ex. So. Af. (2314)	146.37	+1.0	128.29	139.60	+0.6	2.46	144.88	127.02	138.73	161.84	131.95	141.56
World Ex. Japan (1920)	144.90	+0.3	127.01	136.60	+0.4	3.51	144.49	126.69	136.08	145.52	134.62	123.80
The World Index (2374)	146.64	+1.0	128.52	139.78	+0.6	2.47	145.18	127.29	138.93	162.05	132.25	141.50

Constituent changes 22/5/90: Addition: Unidanmark (Denmark). Deletions: Privatbanken and Andelsbanken (Denmark).